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NEWS SUMMARY

GENERAL

Begin taken ill in Knesset

Israeli Premier Menachem Begin collapsed in the middle of a Parliamentary battle to overthrow his Government.

He was taken to hospital where he was said to be suffering from fatigue, and his doctor said the collapse could be related to heart trouble.

The illness came after weeks of political activity and a party on Sunday where the 66-year-old Premier was dancing until 1 am.

Despite his absence from the Knesset, the Opposition call for fresh elections was defeated by 60 votes to 54.

Israel raid

Israel launched its biggest operation against Palestinian guerrillas for 18 months. Its forces struck deep into southern Lebanon, and claimed they had killed between 10 and 20 guerrillas.

Armed chase

Two policemen and a woman constable escaped unhurt after an armed gang fired at the windscreen of their car. The shots came after the police chased the gang's van through east London. The chase ended in a cul-de-sac and the gang escaped.

Woman president

Iceland elected Mrs. Vigdis Finnbogadottir, 50, as its president. She defeated three men to become the world's first democratically elected woman head of state. Page 3

Air fare plan

British Caledonian Airways is planning single fares of £15.50 between Gatwick and Brussels and Amsterdam, cutting the present economy class fare of £49.50 by more than 70 per cent. Page 7

Argentina hijack

An armed man hijacked an Aerolineas Argentinas aircraft on a flight from Mar del Plata, held 16 people hostage after landing in Buenos Aires, and demanded $100,000 (£42,400) in cash.

Bank hostages

U.S. anti-terrorist experts negotiated with a masked gunman as troops surrounded the bank in Wuerzburg, Germany, where he took two U.S. hostages and demanded a $1m ransom.

Shah operation

The former Shah of Iran was believed to be in a satisfactory condition after an operation at a Cairo hospital. Earlier, he was reported to be in the hospital's intensive care unit.

Asylum for doctor

Romanian Davis Cup team doctor Aurel Cristache was given political asylum in the UK for three months.

Wade defeated

Virginia Wade, the UK's last singles survivor at Wimbledon, was defeated 6—2 7—6 by 15-year-old Andrea Jaeger of the U.S. John Barrett, Page 8

Snake charmer

Briton Mike Dickson, 25, claimed a world record after sharing a glass tank for two months with 25 deadly snakes

Briefly . . .

Pope John Paul arrived in Brazil to start a 12-day visit.

Funny smell from the drinking water tank at Delhi's main railway station was caused by a decomposing body in it.

July is expected to be mainly dry but cool at first, with further rain later in the month. Weather, Back Page

BUSINESS

Sterling up 0.95c; Coffee off £87

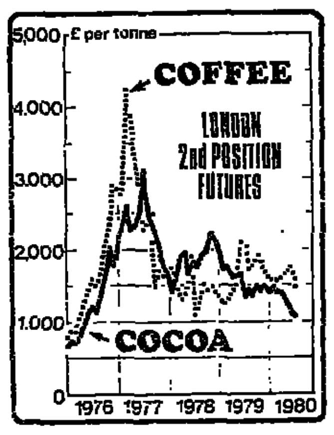
● STERLING was firm, closing 95 points up at $2.3565, the highest level of the month. Its trade-weighted index was 74.4 (74.1). DOLLAR closed at DM 1.7635 (DM 1.7640) and its trade-weighted index was 83.5 (83.4). Page 27

● EQUITIES regained most of their early advances after falling at noon. The FT 30-share index closed 1.3 up at 464.8. Page 30

● GILTS eased again. The Government Securities index fell 0.21 to 69.12. Page 30

● GOLD rose $14 an ounce in London to $651.50. Page 27

● COFFEE fell sharply in London, the September position



closing £87 down at £1,473.50. Page 29

● COCOA closed £29 off at a four-year low of £1,036.50 a tonne in London.

● WALL STREET was 11.13 down at 870.65 before the close. Page 28

● SWITZERLAND is planning further steps to allow a controlled build-up of the use of the Swiss franc as an international reserve currency. Back Page

● U.S. COMMERCE Department's index of leading economic leaders fell 2.4 per cent in May, the fourth consecutive monthly decline. Back Page and Editorial Comment, Page 16

● RAILWAYMEN'S leader Sid Weighell indicated that his union would be prepared to accept a period of wage restraint as part of a Labour Government's incomes policy. Page 10

● THE EEC and U.S. today introduce new rules for Customs valuation in a significant step towards the dismantling of non-tariff barriers to international trade.

Record loss at Vauxhall

● VAUXHALL MOTORS reported a record net loss of £31.27m compared with a profit of £1.98m for the previous year. Back Page

● ALFRED HERBERT, the engineering group, issued 90-day redundancy notices to 1,343 employees at the Edgwick plant in Coventry. Page 8 and Back

● BRITISH BENZOL Carbonising, the coke and coal by-products manufacturer, has been dealt a "massive blow" by the loss of its major customer, the British Steel Corporation, says its directors. The group reports pre-tax profits down from £1.25m to £774,000 for 1979-80. Page 18

● LEGAL AND GENERAL'S chairman, Lord Caldecote, is to resign on October 1, when Professor R. J. Ball, Principal of the London Graduate School of Business Studies, will succeed him as head of the insurance group. Men and Matters, Page 16

Estimate of UK oil production reduced by 13%

BY RAY DAFTER, ENERGY EDITOR

NORTH SEA oil production this year is likely to be 13 per cent lower than expected, as a result of bad weather, accidents and delays to field development projects.

Latest Government estimates show UK oil output could reach 80m to 85m tonnes, compared with 85m-105m tonnes forecast last year. The increase in production rates in the coming years is expected to be slower than previously forecast. For the first time, the range of production options has been extended to allow for a strict depletion policy if imposed.

PRODUCTION FORECAST

	(million tonnes)*
1980	80-85
1981	85-105
1982	90-120
1983	95-130
1984	95-135

Source: Department of Energy.

1980 PRODUCTION ESTIMATE

Made in	
1974	100-140
1975	100-130
1976	95-115
1977	90-110
1978	90-110
1979	85-105
1980	80-85

The Energy Department's annual report on oil and gas — the so-called Brown Book — also shows that the remaining recoverable oil reserves on the UK continental shelf are slightly lower than originally thought.

After taking account of oil produced to the end of 1979 (179m tonnes) the department estimates that the amount of oil — both found and still to be discovered — is in the range of 2bn to 4.2bn tonnes. That would be sufficient to meet the present UK consumption level (around 90m tonnes annually) for 22 to 47 years.

The department says the latest estimate of original recoverable reserves represents a fall of 100m tonnes, compared with the midpoint of estimates in last year's Brown Book. "Development and appraisal drilling has brought to light some over-estimation in the reserves of some fields and has indicated that more cautious assessments of the reserves of fields in the early stages of development are necessary," the report says.

Even so, the UK should reach a position of net oil self-sufficiency in the second half of this year.

In the coming six months new fields—among them Tartan and Buchan—should boost production.

But the Brown Book shows that the Government is keeping open its option for future production rates. In 1983 and 1984, when UK oil fields should be able to yield oil at their peak rate, output might be pegged at 95m tonnes, according to the latest estimates. On this basis, the production level would be only slightly above the UK's own oil needs.

In a review of 1979, the Energy Department says that the sale of oil and gas in that year reached £6.2bn. Government income in the financial year 1979/80 from petroleum revenue tax, royalties and corporation tax totalled £2.2bn.

*"Development of the oil and gas resources of the United Kingdom; 1980" — SO.

Editorial Comment, Page 16
Kuwait raises crude oil price, Back Page

Post Office disregards Whitehall spending limit

BY JASON CRISP

THE Post Office has placed orders of £1.5bn for the modernisation of the telephone network, although it does not have Government approval to exceed its cash limits or to raise extra finance on the markets.

The corporation ahs already made clear that it will need an additional £150m this year to finance its investment programme. In practice, the figure could be significantly more as the Post Office's telecommunications side is in pay negotiations with its major unions and is likely to be forced to settle for a figure higher than originally budgeted.

The placing of orders — mainly with GEC, Plessey and STC — will force the Government to decide whether the Post Office may exceed its cash limit, raise finance from the private sector or to use its monopoly position to increase charges sharply.

The exact size of the financing gap will not be known until the Post Office reaches a settlement on pay with the 150,000 telecommunications engineers and supervisors, who have presented the corporation with a 37 per cent claim.

The Post Office Engineering Union (POEU), with 120,000 members, and the Society of Post Office Executives have rejected the Post Office's 17 per cent offer.

The Post Office plans to spend £1.5bn in each of the next five years on the modernisation of the network. Its hope is to raise the number of telephones in use in Britain from the present 17m to 27m by 1990, which would mean 95 per cent of households would have a telephone.

It is believed to be strongly against a big increase in charges to meet the cost of this year's instalment of the programme; and it has made no secret of its desire to obtain outside finance if the Government sticks to its hard line on cash limits. In particular, it is hoping to persuade the Government to allow it to extend present arrangements for customers to lease telephone equipment from outside concerns. Introduced earlier this year, this business is running at the rate of £40m a year, with customers able to lease private telephone exchanges from Mansionplace, a subsidiary of Saturn House, itself owned by Mercantile House Holdings.

In addition, because of the longterm nature of its investment programme the Post Office argues that the cash limits on its borrowing should not be applied strictly to a single year but on a rolling basis.

Although the Post Office is reluctant to raise prices to meet this year's shortfall, it may be willing to accept that its internally set target of a 5 per cent a year reduction in costs in real terms may have to be modified.

SIR KEITH JOSEPH said State-owned industries should not expect their financial targets to be relaxed in the wake of the decision to provide extra funds for the British Steel Corporation. BL would find it "very, very hard" to persuade Ministers.

Responsibility for Rolls-Royce, the State-owned aero engine manufacturer, is to be transferred soon to Sir Keith from the National Enterprise Board, following the Industry Bill receiving Royal Assent yesterday. Page 8

Sale of Ferranti shares starts

BY ANDREW FISHER

THE FERRANTI electronics company will stay independent for at least two years under the terms of the National Enterprise Board's £54m placing of most of its 50 per cent stake which started yesterday.

The decision to place the 10.24m shares is a victory for Scottish ministers in the Government who wanted to see Ferranti made immune from a possible takeover. The NEB itself will make a sixfold profit on its original £8.7m equity investment in 1974.

The ministers and the company had feared that the NEB would either hawk its shares round in a single block to be sold to the highest bidder or float them off through the the market where they could be prey to an unfriendly takeover. A large part of Ferranti's operations is based in Scotland.

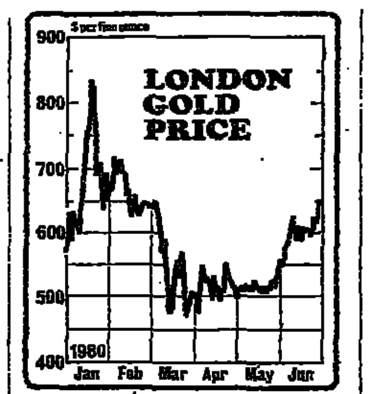
To ensure that the shares remain in safe hands, institutions which want to buy any of the stock being placed will have to agree not to sell them for two years.

Such a tactic appears unprecedented in Britain but has been practised in the U.S.

Led by major stockbrokers Cazenove, acting on behalf of Rothschild for the NEB, the placing began yestexday afternoon with details of the size of the response due some time today.

Although institutions taking up the shares — the NEB is

Continued on Back Page



Gold up $14 to $651.50

BY DAVID MARSH

GOLD FINISHED at $651.50 per ounce in London yesterday, a rise of $14 from Friday and its highest closing level for nearly five months.

Sterling rose 0.95 cents to $2.3565, its highest since the end of May. It also gained against other major currencies, partly as a result of a sharp rise in short-term interest rates on the London inter-bank market. The pound closed at 74.4 (74.1) according to the Bank of England's trade-weighted index.

Gold climbed as high as $665 at one stage yesterday, following through from the strength shown in New York on Friday, but fell back later on profit-taking.

It has risen about $150 in just over a months, although it is still $200 below the peak reached in January.

Fresh bullion purchases in the last month have been sparked by the fall in U.S. interest rates and renewed weakening of the dollar.

Tension between Vietnam and Thailand is thought to have spurred buying from South East Asia, where political uncertainty usually leads to a surge of interest in bullion.

The dollar was weak early against the main currencies, falling to DM 1.7560 at one stage from DM 1.7640 on Friday. But it steadied later on, closing at DM 1.7635. It was also barely changed against the Swiss franc and gained against the yen.

Sterling roe to $2.3640 at one point, buoyed by exceptionally high interest rates in the London inter-bank market. These reached 200 per cent for overnight money at one stage as banks scrambled to find funds for quarterly-make-up day, but eased later to 20 per cent.

Markets, Page 27
Repercussions of the Bunker Hunt silver fiasco, Page 8

SCHMIDT IN MOSCOW

Blunt call to Russia for peace talks

BY JONATHAN CARR IN MOSCOW

CHANCELLOR Helmut Schmidt of West Germany urged the Soviet Union last night to begin talks with the West on nuclear missile control without preconditions, and to withdraw all its forces from Afghanistan.

Herr Schmidt made his call with notable bluntness at a Kremlin banquet last night after a first round of talks with President Brezhnev. In doing so he fulfilled his previous forecast that he would not indulge in "false courtesy"

In his reply to Herr Schmidt, much shorter than the Chancellor's address, Mr. Brezhnev noted simply that he hoped the West German-Soviet dialogue on the missiles issue would be fruitful. "In a realistic policy there can be no one-way streets, so long as one does not produce them artificially," he said. He did not elaborate.

In his speech Herr Schmidt hoped for early ratification of the SALT II accord between the U.S. and the Soviet Union. But he indicated that continued Soviet development of intermediate-range nuclear missiles, those which could reach most of Europe from Soviet territory, threatened to undermine benefits of SALT.

The Chancellor stressed that the NATO decision last December to produce such missiles of its own while seeking negotiations with Russia had been reached only "after long deliberation and with a deep sense of responsibility."

With his reference to preconditions Herr Schmidt was urging Moscow to drop its demand that the NATO decision be declared null and void before East-West talks started. By firmly repeating that the NATO agreement was not reached lightly, he was felt to be countering recent suggestions in the West that he might no longer stand firmly behind it.

On Afghanistan, the Chancellor bluntly reminded Mr. Brezhnev that their joint declaration in Bonn two years ago referred to "respect for the indivisibility of freedom and security in all parts of the world."

He recalled that Bonn supported a series of initiatives to restore "an independent, bloc-free Afghanistan, free of foreign troops, an Afghanistan in accordance with the wishes of the Afghan people and the legitimate interests of its neighbours."

Apart from discussion of major East-West issues, Russia and West Germany are to sign a long-term programme of economic and industrial co-operation.

Apparently in deference to some of their Western partners, the Germans are being careful not to emphasise the bilateral economic issues here would prefer the ag[illegible] be signed at rel[illegible]

It makes [illegible] for co-operat[illegible] energy, adva[illegible] and other fielc[illegible] sectors in w[illegible] believes the W[illegible] more restraint [illegible] with the Russians.

Observer print talks end

BY JOHN LLOYD, LABOUR CORRESPONDENT

TALKS BETWEEN print unions and the Observer ended last night with a clear indication by the management that the paper would close if agreement could not be reached on a wage settlement for print craftsmen by the end of the week.

Mr. Roger Harrison, the paper's joint managing director, was reported to have told the unions that he wanted "an agreement in black and white by Friday."

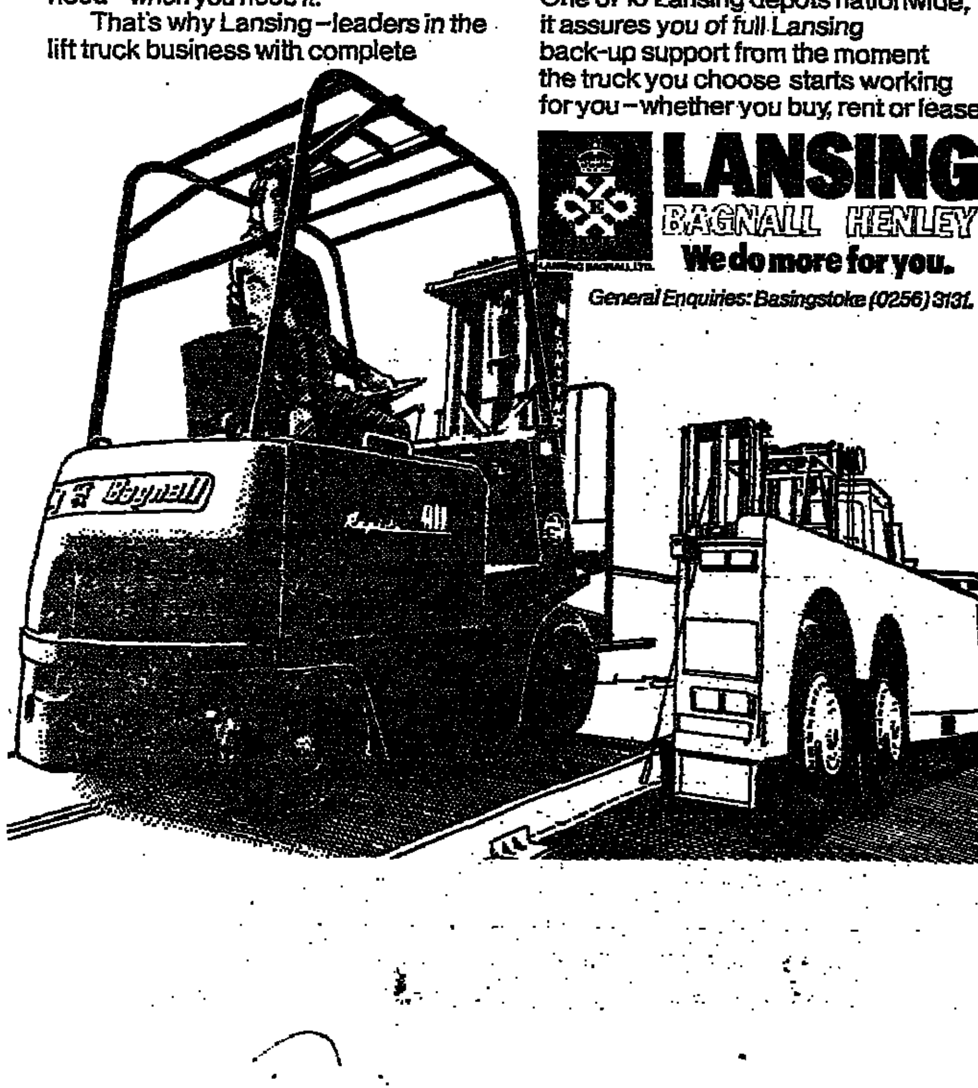
The paper called in the general secretaries of all five print unions to stress the gravity of the situation. The particular difficulty at issue is with the National Graphical Association.

The U.S. company Atlantic Richfield, the Observer's owner, has made clear for a month that it will withdraw from ownership if agreement is not reached by early in July.

Mr. Les Dixon, NGA president, said after the talks that he was convinced of the seriousness of the situation. "If there is no agreement by the end of this week, the paper will close."

£ in New York

	June 27	Previous
Spot	$2.3530-3550	$2.3500-3510
1 month	1.60-1.55 dis	1.72-1.66 dis.
3 months	4.26-4.20 dis	4.28-4.22 dis.
12 months	9.50-9.35 dis	9.65-9.50 dis.



CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Abercom	125	+ 10
Allied. Int. Designs.	31	+ 4
Allnatt London	216	+ 6
Assd. Newspapers	332	+ 10
BAT Inds.	238	+ 5
Daejan	154	+ 10
European Ferries	172	+ 8
Flight Refueling	224xc	+ 8
Grant Bros.	118	+ 8
Hunting Gibson	110	+ 15
Johnson Matthey	376xd	+ 21
Nichols (Vimto)	440	+ 35
Royal Insurance	375	+ 13
Telephone Rentals	239	+ 6
UK Property	37	+ 3
Aran Energy	490	+ 20
Candecca	230	+ 8
Bracken	204	+ 17
Cons. Gold Fields	535	+ 13
Gld. Mns. Kalgoorlie	452	+ 16
Hampton Gold	134	+ 20
Hill 50	54	+ 15
Falcon Mines	670	+ 50
Minorco	350	+ 23
North West Mining	120	+ 17
Poseidon	218	+ 11
President Brand	£19½	+ 1
Rustenburg Plat.	215	+ 15
SA Land	413	+ 43
Strata Oil	100	+ 16
Unisel	573	+ 42
Western Deep	£21¾	+ 1
Western Hldgs.	£31	+ 1¼

FALLS

Treas. 12pc 1984	£96[illegible]	− [illegible]
Excheq. 12pc 90102	£88	− [illegible]
British Benzol	30	− 8
Edwards (L. C.)	68	− 5
Lotus Car	17	− 2
Tube Invs	256	− 10
BP	366	− 8

CONTENTS

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DAVID WHITE LEAVES PARIS IN SEARCH OF THE PROVERBIAL FRENCH FARMER

How to lose friends and influence people

IT WAS as if the Government saw it coming. Only a few days before last month's ugly incidents in the south of France, when farmers destroyed nine Spanish lorries carrying fruit and vegetables, President Valery Giscard d'Estaing was backtracking on Spanish and Portuguese membership of the European Community, saying *new countries could not join* until the Community solved the problems it already had.

These problems and Spanish fruit have one thing in common: the interests of the *French farmer. Once again the* farmers have come to govern French attitudes and Europe's fortunes. The bad blood over lamb exports from Britain has still not been entirely dispersed. The deal *agreed on for Britain's* payments to the European Community remains pegged to French satisfaction on farm prices. And the rumble of farmers' complaints continues, from *Sain-Malo—where Breton* farmers were dumping potatoes in heaps last weekend—to the Mediterranean.

Who is this *figure*, the proverbial — and increasingly *friendless—French smallholder*, the pivot around which so much revolves? And how is it that a Government should for ever be haunted by the spectre of a peasants' revolt in an advanced industrial society like France?

The number of farms in France and the people who work on them drops steadily year by year. Farmers no longer make up over a third of the working population, as they did up to the Second World War, but a mere 9 per cent. The tally of farm holdings is now around 1.23m. After unproductive part-timers and pensioners are deducted, the total is below *800,000, less than three-quarters* of the number a decade ago. But concentration has scarcely reduced the disparities within agriculture. There is not one French farm problem, but a series. And there is no such person as a typical French farmer.

The British image of the French farmer is usually one of subsidised backwardness, of a stubborn, tradition-bound individualist doing the wrong things on a plot of land that is too small, making other people pay for his inefficiency and keeping the money under his mattress. In his own country, the farmer, who takes a jaundiced view of what he considers the easy life of town-folk, is in return regarded as being better-off than he makes out, of being state-supported and a drain on the social security system, and of getting away with murder when it comes to his taxes.

The last point is fairly accurate, and illustrates the special status the peasantry enjoys. *A majority* escape the income tax net altogether, and most of the rest pay under a forfeit system based on the average profit for their region and not on real earnings. As a result farmers, who get 11 per cent of the national budget, contribute only 1.5 per cent of *French income tax.*

The image, however, too often omits the immense changes of the past 20 years. French farming has been organised and mechanised, with new marketing and financial structures able to maintain the country's place as Western Europe's dominant agricultural nation, the European Community's biggest source of cereals, sugar, meat and milk. Take a ride from Paris to Orleans across the Beauce plain and prairie farming can be seen at its best. Brittany has been transformed as farmers, crowded for space, have gone *into battery chickens and pig*-fattening. Even in the Auvergne nearly everyone has a tractor. Co-operatives have grown and

'Oh, the harvest isn't in yet—he's treading Spanish lorry drivers'

merged, and diary co-operatives are run like mulinational companies. Rural society has also changed. Trained young people emerge at the head of co-ops and union organisations, and *Socialists and Communists* are nowadays elected to local councils.

A new framework law for French agriculture was passed at the end of last year, designed *to simplify a land succession* system that essentially dates back to Napoleon, lighten farmers' debt burden, and encourage more young people on to the land. The Government calls it the "second agricultural revolution."

But old characteristics are still ingrained. The Government engages in a kind of double-talk, calling for a more productive, *adaptable and* export-orientated farm sector, and at the same time religiously defending the principle of the family-run farm. Any left-wing Government would be obliged to defend it just as much.

In practice, the family holding is not as uneconomic as it might seem. Farmers save on wages and are often willing to invest all they have—"living poor to die rich." In some respect the small family farm has been surprisingly dynamic. But it requires presistent intervention *and ad hoc aid from the state* since its finances are often precarious. The Government is anxious to limit the cost of subsidies, but the farmers press for *tailor-made* policies *and more national* (as distinct from European Community) support.

One thing that has not changed is that France has to deal with two distinct farm sectors, one rich, the other poor. *Those who cashed in on the* cereal boom in the central region and north of Paris, sheltered by guaranteed Community prices, have what is jocularly known as a new rotation systems of "corn, maize, Cote d'Azur." On the other hand, there are small farming families living on Grandpa's pension. The average farm is still less than 60 acres, many are too small to be practicable, and many have only a few cows. In the mountains, where the peasant usually owns his land (not the rule elsewhere), he often has some other activity.

Broadly, the gap is between north and south, the traditional worlds of the draught-horse and *the ox. Brittany is an exception* in the intensive-farming north, with an emphasis on livestock, smaller farms and less-skilled farmers. A farmer in the richest lands of Champagne *stands to earn seven times as* much as one in the Ariege department of Languedoc. The disparities, after getting wider in the 1960s, have narrowed since 1970, but not by much.

Regional resentment is growing, and the Left's exploitation of it adds an important new dimension to the politics of French agriculture. Farmers already wield disproportionate *power, for several reasons.* One is historical tradition and French emotional attachment to the idea of the "peasantry." Another is the large number of non-farming Frenchmen who have inherited interests in agricultural land. A third is the strength of the biggest farmers' union body, the FNSEA.

All this influence has been brought together in a series of causes in the farming south. The *symbolic issues now are fruit* and wine. The Languedoc region is traumatised by the prospect of Spain gaining free access to Community markets. Spanish farm wages are two-thirds of the French level, and Spanish produce ripens earlier. In wine, after a harvest last year bigger than any since France started compulsory records in 1907, the over-production crisis has come to a head.

The Spanish competition would hit ordinary French "table wine," most of which comes from the Midi. The wine-growers can get Government and European Community grants for pulling up their vines but, like Breton dairy farmers, they are reluctant to convert. *For many, on small plots where* they count on a high yield, the only alternative seems to be fruit, and there the problem is almost as bad.

The Communist Party, which up to now has had limited rural support in France, is running a massive campaign against the destruction of orchards and vineyards and the abandonment of the region to tourism.

The Government's effort to propitiate the rebellious fruit and vegetable growers last week shows how afraid it is of alientating the last outposts *of support it has in the Midi.* It offered promises of help and reinforced bans on Spanish tomatoes and Greek potatoes. The lorry-burners are unlikely to be prosecuted.

"Green anger" is spreading, fuelled by meagre income growth. Last year farmers' average income at constant prices rose by a bare 0.3 per cent, after a drop in real terms in 1978.

In electoral terms, although the farmers' vote is shrinking, it could still prove crucial. In 1974, M. Giscard's majority over M. Francois Mitterrand, the Socialist, was only 400,000. *Surveys afterwards showed that* the countryside produced well over this majority. It is one area where voting patterns are difficult to predict. And that may be the most mundane—but not the least—reason why, when the French farmer raises his calloused fist, the whole of Europe stands to attention.

Portugal Government threatens to shut national airline

BY JIMMY BURNS IN LISBON

THE PORTUGUESE Government yesterday threatened to shut the troubled national airline, Air Portugal, unless employees end their prolonged strike over pay and working conditions. Sr. Francisco Balseamo, a personal aide to the Prime Minister who has ministerial status within the governing coalition, said that a week-long strike and the prospect of further industrial action would undermine the company's finances.

According to government officials the strikes are costing the airline Es 32.5m (£285,000) daily in lost revenue, and are affecting 3,000 pasengers daily during the peak tourist season.

Sr. Balseamo said: "My intention is not to abolish the company. But the accumulated losses suffered by Air Portugal may leave the Government with no other alternative but to close down the company temporarily."

A 48-hour pilots' strike last week was followed by stoppages by engineers and cabin staff which effectively paralysed Air Portugal's international services. Over the weekend pilots threatened to resume an indefinite strike from today unless management agreed to their demands.

The pilots' main union has accused the Government of going back on an agreement reached last December after a prolonged strike. The principal feature of this agreement was that pilots should be entitled to generous tax exemptions to compensate for a limited wage increase of 19.9 per cent.

The Government claims the agreement would put pilots in a "privileged position" compared to other Portuguese workers at a time when it is atempting to contain inflation. It also claims that the latest srike could *jeopardise* a five-year recovery programme which was agreed in principle recently with the management of the state-owned airline.

This programme aims to transform Air *Portugal's* Es 2.5bn (£21m) losses in 1979 into profits by 1985.

Socialist Front formed to fight general election

BY OUR LISBON CORRESPONDENT

THE PORTUGUESE Socialist party, the country's main opposition group, yesterday announced the formation of a broad front to fight the general election in the autumn.

The Republican and Socialist Front (FRS) is the boldest attempt yet, by Dr. Mario Soares, the Socialist leader, to make up for his party's crushing defeat last December and present a viable centre-left alternative to the ruling centre-right Democratic Alliance. Dr. Soares yesterday claimed that the Alliance had lost its "legitimacy" and challenged the Government to resign.

But he appears to be facing an uphill task in proving that the FRS is more than an awkward extension of his party. Its programme reflects faithfully the Socialist party's last electoral manifesto: on the economy, it commits itself to strengthen the public sector but advocates a mixed market economy and supports *Portagal's entry into the EEC.*

Dr. Soares is pursuing a pragmatic, middle ground strategy by bringing into the FRS the independent Social Democrats who split from Prime Minister Francisco Sa Carneiro's Social Democrat party last year accusing him of turning the party into a right-wing force.

The FRS also includes a left-wing grouping led by a committed Marxist, Sr. Antonio Lopes Cardoso, who was a Minister of Agriculture during the Socialist minority Government. He supported the expropriation of land by the Communists and resigned his ministry in protest at Dr. Soares' moderation on the issue.

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EEC likely to approve new chemicals safety rules

BY GILES MERRITT IN LUXEMBOURG

[illegible] DIRECTIVE that [illegible]w rules to help [illegible] *dustrial disasters,* [illegible]so in Italy or [illegible]n the UK, is due [illegible] adopted by the [illegible] of Ministers. The [illegible]arliament approved [illegible]*asures* less than a [illegible]ght ago.

[illegible]abelled the "Sveso Directive" the new safety rules are being strongly backed by the Italian Government as a final *initiative to end its six-month* presidency of the Council. In the aftermath of the Seveso chemicals plant disaster, the Italian Government is understood to be attaching political importance to the EEC's adoption of the directive.

The final shape of the safety rules, which in most member states will impose additional standards on industry, was last *night still being hammered out* between specialist advisers to those states. The precise definition of chemicals and processes covered by the directive has inevitably produced minor disagreement, although it is now clear that the intention of the new Community law is to avoid large accidents where subsequent "fall-out" poses a serious threat to local people. Industries *will be given* 18 months to comply with the new safety regulations.

The UK, in common with the French, West German, Belgian and Dutch Governments, has tabled reservations on the text of the draft directive drawn up by the European Commission in Brussels. British concerns range from demands that certain key terms, such as those on substances and industrial establishments, should be fully defined, to insistence that a standing committee on the subject should not be empowered to add chemicals to the list of potentially dangerous processes without further Council permission.

Greek current account deficit

GREECE HAD a current account deficit of $1.13bn in the first four months of this year, mainly due to the cost of imported oil, writes our Athens correspondent. This compares with a deficit of $824m in the same period of 1979.

Allies due to lift ban on German warship building

BY IAN DAVIDSON

MOST OR all of the treaty restrictions on West Germany's right to build warships are expected to be lifted by the other leading members of the Atlantic Alliance in the near future.

Preliminary discussions on the lifting of these restrictions have been going on in Western European Union (WEU) for the best part of two years, and it appears that informal agreement on the change has been secured from all the other six member states: Britain, France, Italy, and the three Benelux countries.

The next stage is for the German Government to submit a formal request to the Council of Western European Union, backed by a supporting submission from the (American) Supreme Commander at Supreme Headquarters Allied Powers Europe (SHAPE).

The restrictions, which also cover long-range missiles and strategic bomber aircraft as well as all atomic, biological and chemical weapons (ABC), were imposed as a condition for the admission of Western Germany to WEU in 1954, as a stepping stone to its membership of NATO and the Atlantic Alliance. No change is being considered on these other categories of weapons.

Over the years, there have been several amendments to ease the restrictions, but usually only after stubborn resistance by France, and to a lesser extent, Belgium. Now, however, both countries are prepared for a major relaxation on the warship restrictions, which might even go as far as a complete scrapping of the relevant section of the Brussels Treaty.

Under the present rules, German warship construction is limited to: combat vessels of up to 3,000 tons, with the exception of eight destroyers of up to 6,000 tons and one training ship of up to 5,000 tons; permanent auxiliary vessels of up to 6,000 tons; submarines of up to 1,800 tons. Nuclear-powered warships are forbidden.

It is not yet known what precise use the German Government would make of the lifting of the restrictions. But with the rapid growth in the size and power of the Soviet navy, it is clear that there could be a major advantage to the Atlantic Alliance if West Germany could make a bigger contribution to NATO's naval capability.

Woman to lead Iceland

REYKJAVIK — A woman was yesterday elected President of Iceland — the first time this has happened in the island's history. She is Mrs. Vigdis Finnbogadottir, 50, who narrowly beat a former university Rector.

Her election as head of state was assured when she won 41,423 votes, or 33.5 per cent of the poll with 95 per cent of the returns declared.

Mrs. Finnbogadottir, a divorcee who lives with an adopted daughter, is a Leftist known to oppose NATO's presence in Iceland.

Her closest rival in the election, Mr. Gudlangur Thorvaldsson, the former university Rector, conceded defeat after winning 40,029 votes, or 32.3 per cent of the poll.

In the early stages of vote-counting, Mr. Thorvaldsson pushed into the lead. But most of his votes came from the heavily populated areas round Reykjavik, while Mrs. Finnbogadottir's support was in rural areas.

The other two candidates were left trailing. Mr. Albert Gudmundsson, a former football star-turned-politician, won 25,000 or 20 per cent of the poll, and Iceland's former roving Ambassador, Mr. Petur Thorsteinsson, won 17,000 (14 per cent).

Reuter

● Mrs. Finnbogadottir (right)

Deadline nears in French kidnap

BY DAVID WHITE IN PARIS

CONCERN for the life of M. Michel Maury-Laribiere, the French industrialist who was kidnapped on his way to work on Saturday, increased yesterday as the ransom deadline approached.

A typewritten note left in his car had demanded that FFr 3m (£310,000) be paid by today for the release of M. Maury-Laribiere, who is a vice-chairman of the Patronat.

His family and staff at his tile and brick works in the Charente region have shown willingness to put up the ransom money, but the Interior Ministry has reiterated its firm opposition to giving in to kidnap demands. The kidnapped man himself apparently left instructions that no ransom should be paid if ever he were held hostage.

Although a third message claiming political motives for the kidnap was received yesterday—this time allegedly from ETA, the Basque independence movement—police were working on the assumption that ordinary criminals were responsible.

Both previous claims, to a newsagency and a left-wing newspaper, were made in the name of Direct Action, a terrorist group linked to the Italian Red Brigades. Denials later received on behalf of the organisation, however, were authenticated by details of the weapons used by Direct Action in recent attacks on government buildings in Paris.

Swiss call for caution in banking abroad

By Brij Khindaria in Geneva

THE DRIVE by Swiss banks to seek foreign business and to expand their network of foreign branches and correspondents has brought a call for prudence from the Federal Banking Commission, the government body which monitors the country's commercial banks.

Herr Hermann Bodenmann, the commission's president, said in Berne yesterday that the agency was worried by the increasing number of banks trying to win foreign-based business.

Because of the comparative stability of the Swiss franc on foreign exchange markets during the past 18 months, not only the five large Swiss banks but also smaller banks, including private ones, are trying to step into the role of local banks in foreign countries, taking advantage of their fine reputations within Switzerland.

The Federal Banking Commission is concerned that some banks might not have the assets to cover large foreign exchange risks.

It is urging the Government to widen disclosure requirements for Swiss banks in include their foreign operations.

The larger banks have so far shown willing to go along with tighter controls on business abroad. The commission is already delaying authorisation of requests by banks wishing to open branches or place funds abroad, pending investigation.

Despite the banks' strenuous efforts in recent years to increase domestic consumer credit and to expand the domestic market for banking services, they have found that they must turn to foreign markets if they are not to stagnate or even shrink.

Alarmed by a drop in domestic consumer spending, combined with the possibility that foreign investors might take their money to other countries, partly because of a weakening franc, banks are urging the Government to allow higher interest rates, particularly on mortgages.

Meanwhile, foreign banks based in Switzerland, which account for about 10 per cent of Swiss banking business, appear to be prospering.

The 121 members of the Foreign Banks' Association last year increased their balance-sheet totals by 14.9 per cent over 1978.

EEC accord on newsprint pricing

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SWEDISH AND Norwegian newsprint manufacturers have agreed provisionally with the EEC Commission in Brussels to adopt individual pricing policies in Britain from January 1, 1982. Press Papers Ltd., their joint sales company, will be downgraded to a distribution and servicing organisation.

Finnpap, the Finnish papermakers' sales organisation which markets in Britain through Lamco Paper Sales, is still resisting pressure from the Commission for individual price setting by its members on the British market. Its lawyers will resume talks with the Commission in August.

The Nordic newsprint producers deny they have been charged by the Commission with operating a cartel, fixing common newsprint prices within the European Community. Discussions have centred on the British market, where the Swedes and Norwegians say they have agreed to "modify" their marketing system to meet the Commission's wishes over price setting.

Outside Britain Stora Kopparberg of Sweden has agreed provisionally to adjust its arrangement with Feldmülle for the marketing in West Germany of newsprint from its mill at Hylte, so that each company prices its products separately. Feldmülle has a 25 per cent share in Hylte.

There has also been some discussion with the Commission over "collective" newsprint marketing practices in France, but in the Nordic manufacturers' view the problem derives from the existence of a monopoly buying organisation there.

The Finns' resistance to Brussels' demand is based on the argument that they have operated their common sales organisation, Finnpap, for over 60 years.

Mr. Jorma Keino, Finnpap's managing director, says the existence of his organisation drew no objections from the Commission when attention was drawn to it during the talks which resulted in Finland's free trade agreement with the EEC.

Finland produces some 1.4m tonnes of total world newsprint output of 26m tonnes and is in no position to control prices even in Britain, where it is the leading single newsprint exporter, delivering some 340,000 tonnes last year, Mr. Keino said yesterday. The leading Canadian company produces more newsprint than Finnpap sells on behalf of all its member companies, he added.

Agreement by the six Swedish and Norwegian shareholders in Press Papers Ltd. to determine their own prices in Britain "at the earliest" from January, 1982, is understood to be provisional on a similar agreement being reached with the Finns.

Brussels plans new Japan trade strategy

BY GILES MERRITT IN BRUSSELS

A STRATEGY for putting European Community-Japan trade relations on a new and more positive footing is soon to be put to member Governments of the Nine by the European Commission.

The commission's trade proposals have been prepared against a background of growing concern over the Community's trade deficit with Japan, which for the first five months of this year widened by almost 50 per cent from the same period of 1979, a trend which suggests a 1980 trade gap in Japan's favour of over $9bn.

The 13-member Brussels Commission will tomorrow review a seven-page outline document drawn up by Sir Roy Denman, director-general for external relations, and is expected to decide in favour of sending the proposals to the Community's Council of Ministers before the end of this month.

It will request a mandate to open trade negotiations with Japan. Draft versions of the same document, containing what Commission trade experts have called "working hypotheses" defining various Japanese export restraints, have already been sent by the Commission to the Japanese Government. But, according to Japanese officials in Brussels, the initiative is likely to receive a negative reaction unless it is substantially revised, although Japan has yet to give a formal reply.

The Commission's proposals suggest that, as a first step towards a new trade relationship with Japan, the Nine must abolish the quota restrictions some member States maintain against over 50 categories of Japanese goods. The Denman document now being distributed to Commissioners describes this "patchwork of separate national restrictions" as a "relic of the 1950s." It also points out that they represent a gap in the Community's common commercial policy, and show scant regard for Community rules.

The second stage of the Commission strategy is to negotiate "temporary export restraints" with Japan which would give failing European industries a vital breathing space. The Commission paper does not define the vulnerable industries, although cars, electronics, engineering and shipbuilding would clearly qualify for the "two to four-year restraint period" the Japanese would be asked for.

In return for Japanese curbs on these sensitive exports, the Community would undertake to carry out determined restructuring programmes in the industries.

The Community document also points out that the Community must recognise the emergence of Japan as a "world economic power" on a par with both the U.S. and Europe, and suggests that encouragement should be given to increasing industrial investments between the Nine and Japan.

Romania and the Nine to strengthen ties

BY JOHN WYLES IN BRUSSELS

ROMANIA, the maverick of the Eastern bloc, is to be brought into a closer trading embrace with the European Community than any other member of Comecon, following the conclusion here of pace-setting negotiations.

Having agreed in February to set up a joint committee to develop their commercial relations, the two sides are ready to sign a trade pact giving a range of Romanian industrial exports better access to Community markets than those of other Comecon states.

The significance of the agreement has to be seen in the context of the current impasse in EEC-Comecon negotiations. An announcement was made here yesterday that the two organisations are to meet at expert level in Geneva on July 16 but there is little official optimism about a possible breakthrough.

Among other things, Comecon is seeking a global agreement which would provide a framework for bilateral deals of the Romanian type between the Community and Comecon members. But the EEC is prepared to make only minimum concessions on the grounds that Comecon does not have comparable organisational authority for trade matters over its members as does the Community.

Thus, the Romanian agreement is seen here as strengthening the possible attractions to Comecon members of bilateral deals with the EEC, and correspondingly, possibly undermining the Soviet-controlled Comecon apparatus.

In essence, the Nine are preparing to relax, and in some cases remove, quantitative restrictions on Romanian exports to the EEC which generally apply to the Eastern bloc countries. Products which will be free of all quantitative restrictions include a variety of chemical materials as well as such things as suitcases and gloves.

In 1978, Romania exported goods worth £696m to the EEC and imported £923m worth. Nearly half its imports came from West Germany.

● The new trade and co-operation agreement between Yugoslavia and the EEC comes into force today following the formal signature in Belgrade in April. Aimed at giving a substantial boost to trading contacts between the two sides and, through trade, stronger political contacts, the arrangement increases the number of Yugoslav-manufactured goods permitted into the Community free of tariff restrictions. It also offers financial assistance in the form of European Investment Bank loans to Yugoslavia.

Comecon co-operation, Page 6

OVERSEAS NEWS

Karmal bid to widen political base

BY K. K. SHARMA IN NEW DELHI

THE ANNOUNCEMENT by Mr. Babrak Karmal that a "Broad National Fatherland Front" embracing all social democratic forces is to be established in Afghanistan, is seen by diplomats in New Delhi as part of the peace offensive launched by the Soviet Union recently.

The ostensible peace moves began with the withdrawal of a division of Soviet troops and some armour, and was timed to coincide with the Venice Conference.

The moves are seen as part of the Soviet attempt to install a régime in Kabul that will be more representative.

Mr. Georgi Arbatov, a senior Soviet official who is director of the USA and Canada Institute—the leading foreign policy research Institute dealing with the West — conceded at the weekend that the Babrak Karmal régime was not popular in Afghanistan.

However, such is the hostility to the Russians in the country that it is hard to believe that any Soviet installed Government could win popular support.

The "Broad National Fatherland Front" is meant to have in it all those who are "anti-reactionary and anti-imperialist." But diplomats here feel that it will be no more than a coalition of the Khalq and Parcham Factions of the ruling Marxist Party, of which Mr. Karmal is the general secretary.

But it is apparently being presented to the people in a bid to gain their support and lure them away from the rebels.

Reports from Kabul say that the Afghan capital has been quieter than at any time since the Soviet invasion. Last week, there was a call for a general strike and some demonstrations in the streets, but shops are now said to have reopened. Many Soviet tanks deployed at some points in Kabul have been withdrawn to outside the capital.

Rebel activity in other parts of Afghanistan is continuing. Kabul Radio has admitted this and announced over the weekend that "gangsters and murderers" have disrupted road and communications links and also destroyed convoys taking food to the provinces.

S. Africa heads OAU agenda

BY DAVID WILLIAMS IN FREETOWN

FOR THE first time in many years, Zimbabwe does not head the agenda of the annual Organisation of African Unity conference of heads of state, which opened in Freetown, Sierra Leone yesterday.

Zimbabwe is the organisation's 50th member, and South Africa's incursion into Angola forms a powerful alternative.

The 11-day meeting of Foreign Ministers which prepared the agenda and the resolutions for the heads of state conference, bitterly condemned Western nations whom they accused of supplying the arms and aircraft which they claim made the South African invasion possible. The OAU will send delegations to these countries, including Britain and France, to make public protests.

In the comfort of the "village" of 60 villas, built in the hills above the city at a cost of more than £20m, specially for the conference, and in Freetown's new luxury hotels, harmony seems to reign among the delegations. But there are issues enough to divide these countries deeply if there were no South African question to unite them.

The first potentially divisive issue is the presence of the new Liberian head of state, Master Sgt. Samuel K. Doe. He cannot attend the summit when the acting chairman of the OAU, President Leopold Senghor of Senegal, will pay tribute to Sgt. Doe's predecessor, the murdered President William Tolbert.

President Tolbert was the chairman of the OAU at the time he died, and he should have presided over this meeting before handing over to President Siaka Stevens, of Sierra Leone.

At a time of world recession, the OAU has embarked on a wide-ranging plan to create a self-reliant African Common Market.

But the OAU Secretary-General, Togo's Edem Kodjo, will report to the heads of state that the organisation, based in Addis Ababa, has constant difficulties in recruiting staff, while for 1979, 80 member-states are in default on their contributions to the tune of $70m, or 49 per cent of the dues. Survival is stil the OAU's great achievement.

New Cairo push for IMF credit

BY ROGER MATTHEWS IN CAIRO

THE EGYPTIAN Government is this week making a fresh effort to reach agreement with the International Monetary Fund (IMF) on a new three-year extended credit facility.

At the heart of negotiations and as a statement of Egypt's intentions is a planned budgetary surplus for the financial year, which has just been changed to start from July 1. Previously, it coincided with the calendar year.

Current budget revenues are expected to be E£5.89bn (£3.69bn), and expenditure £E5.67bn (£3.55bn). As such, this would be the first budgetary surplus in modern Egyptian history. In part this has been achieved by taking public sector investment out of the budgetary calculations.

Dr. Abdel-Razzaq Abdel Meguid, the Deputy Prime Minister in charge of the economy, said recently that the IMF should be well pleased with the new budget he introduced on June 14, and believed that this would clear the way for an agreement.

Egypt is particularly keen to win IMF approval for its economic policies because of the hoped-for effect this would have on those foreign investors who have become slightly more cautious as a result of the Arab boycott that followed the signing of the peace treaty with Israel.

The IMF and Egypt drafted a letter of intent last March for an agreement that would have been worth about $600m over three years. However, the final signing of the agreement was dependent on the introduction of a number of budgetary measures that would limit the growth in the deficit.

Although these measures have not been enacted, Dr. Abdel Meguid will point instead to his new budget.

In the new budget, Government expenditure has increased by £Eg 980m (£613m) while income is estimated to rise by £Eg 1.15bn (£0.72bn), mainly because of increased revenue from oil sales, the Suez Canal and customs dues.

Third World pressure on Fund

BY OUR DAR ES SALAAM CORRESPONDENT

THIRD WORLD members of the International Monetary Fund yesterday began a four-day conference in Arusha, north Tanzania, to discuss their demands for a greater say in the Fund's affairs.

The non-governmental meeting comes amid increasing disgruntlement among developing countries who argue that the IMF is not responding to their increasingly acute needs.

The conference, which groups some 50 delegates, has been sponsored by the Dag Hammarskjold Foundation and various Third World pressure groups. It is expected to put together a list of demands which the developing countries, through their informal "Group of 24," will press on the IMF at its annual meeting in Washington this autumn.

An official of the conference, which is being presented as part of the North-South dialogue on reforming the world's economic mechanisms in favour of the poorer countries, said that it would study a document focusing "on the inadequacy" of the IMF, the experience of countries swallowing the IMF's medicines in the 1970s, and the restructuring of the international monetary system."

Delegates at the closed-door meeting are to study a case paper on the experience of stabilisation policies in Peru. The recent Brandt Commission report on North-South issues criticised the IMF for tending to "impose unnecessary and unacceptable political burdens on the poorest."

The Arusha meeting is expected to repeat the Commission's suggestions that the IMF should follow more liberal policies and give more help to countries burdened by rising oil bills.

The meeting is also expected to see the developing countries call to be given more of the IMF's Special Drawing Rights and an increasing voice in the Fund's affairs. At present, the 10 main industrialised nations control 56 per cent of voting rights in the IMF.

IMF policies have come under mounting criticism from the Third World, most recently from Jamaica and Tanzania.

Jamaica, which has sent its finance minister, Mr. Hugh Small, to Arusha, has called for general elections this year in which its dispute with the fund is expected to be a key issue.

Tanzania, which is suffering its worst economic crisis since independence 19 years ago, is nearing agreement with the IMF for a $200m extended fund facility, according to diplomats.

Successor problem for Sir Seretse

By Bridget Bloom

THE NEWS that President Sir Seretse Khama of Botswana was incurably ill in London and was being brought back to Gabarone, the Botswana capital, has come as a shock. For despite the President's known ill-health over the past few years, his sudden incapacity immediately raises the question of succession in a critical area of southern Africa.

Sir Seretse Khama

Sir Seretse, who has led Botswana since its independence from Britain in 1966, has steered a pragmatic course.

Alone in southern Africa, Sir Seretse has maintained a Western-style democracy — he was re-elected President only last October in the third multi-party elections since independence.

This, plus an insistence on non-racialism (his marriage to an Englishwoman caused a furore in the late 1950s) has made Botswana the most peaceful as well as the most open and apparently most stable society in southern Africa.

In the last few years, however, the twin pressures of the Rhodesian guerrilla war and an influx of young radical refugees from South Africa, following the 1976 Soweto protests, has put Botswana under some strain.

The creation of a 3,000-strong army—now headed by Sir Seretse's son Ian—was in direct response to the Rhodesian threat and though that war is now ended, the South African threat intensifies.

The line of immediate succession in Botswana is clear: Vice-President and Finance Minister Quett Masire, who has frequently stood in for the President at Front Line state meetings, is likely to succeed him, at least for a while.

There is considerable speculation that Ian Khama, recently elected, like his father, a chief of the key Bamangwato tribe, might have presidential ambitions, though he holds no elected political post.

AMERICAN NEWS

Reagan chooses short list of eight for running mate

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

MR. RONALD REAGAN is believed to have decided on a short list of eight prospective candidates to run with him on the Republican ticket in the general election.

These eight have all been asked by Mr. Reagen's campaign to submit personal and financial information. The nominee-apparent is due to announce his choice of a Vice Presidential candidate on July 17, at the party convention in Detroit, the morning after he has himself been proclaimed formal presidential contender.

The short list contains one name hitherto not mentioned in the running mate stakes—Congressman Guy Vander Jagt from Michigan, who has been selected to give the keynote speech opening the convention and who is generally considered a moderate Republican.

Only one other moderate features on the list—Senator Howard Baker from Tennessee, Senate Minority Leader and an early casualty in the contest for the nomination. Mr. Baker said over the weekend that he would accept a spot on the ticket but did not really want it: he is currently under sharp attack from Conservative pressure groups, principally because of his support for the Panama Canal treaties.

The other six come in various shades of conservative blue. Congressman Jack Kemp from New York, former Treasury Secretary William Simon and Senator Paul Laxalt from Nevada (Mr. Reagan's campaign chairman) are perhaps the most conservative, while Mr. George Bush, the failed candidate, Senator Richard Lugar from Indiana and Mr. Donald Rumsfeld, ex-NATO ambassador, Secretary of Defence and Congressman, a little less so.

But Mr. Reagan's advisors stress that the list, which a month ago was more than twice as large, is not necessarily closed. The basic choice confronting Mr. Reagan is whether to pick someone who would broaden the base and appeal of the party or whether to opt for ideological compatibility. Someone who would fill both purposes would, of course, be ideal.

Mr. William Simon, above, is one of the most conservative contenders, while Senator Howard Baker, below, is the only certified moderate on the list

Early lead for leftist in Bolivian election

By Mary Helen Spooner in La Paz

Sr. Hernan Siles Zuazo, leader of left-wing Popular Democratic Unity (UDP), took an early lead as 11 per cent of the votes were counted after Sunday's presidential election in Bolivia. Deadlock among the three leading candidates is threatened however, as none appears to be heading for an overall majority.

Sr. Siles was reported to have 35 per cent of the 200,000 votes counted. His closest rival was former military dictator General Hugo Banzer with 26 per cent.

In third place was Sr. Victor Paz Estenssoro, a former president, like Sr. Siles, and leader of the right of centre Nationalist Revolutionary Movement (MNR).

If no candidate wins more than 50 per cent of the votes, the selection will be made by Congress, whose members were also being chosen on Sunday.

Sr. Marcelo Santa Cruz, leader of the uncompromisingly left-wing Socialist Party and a former Minister who was responsible for nationalising foreign oil interests in Bolivia, surprised observers with his strong showing, capturing fourth place with nearly 11 per cent of the votes so far counted.

Right-wingers in the army are expected to be unhappy at the early lead shown by Sr. Siles.

There will inevitably be speculation that the army will move to block his election in Congress or topple him if he wins that election. The military has staged nearly 200 coups in the century and a-half of Bolivia's independent history.

Congress criticised over anthrax

BY DAVID BUCHAN IN WASHINGTON

THE U.S. State Department said yesterday it was still pressing Moscow for an explanation through diplomatic channels of last year's mysterious anthrax outbreak near Sverdlovsk, and criticised Congress for issuing a report charging the Russians with covering up the incident and possibly breaking the 1975 germ warfare ban.

U.S. officials, however, conceded that they had no satisfactory answers about the incident which came to light earlier this year and which the Russian authorities claim was caused by citizens of Sverdlovsk eating diseased meat.

The House of Representatives Intelligence Subcommittee said in its report over the weekend that the Russian explanation is "incomplete at best and at worst a fabrication." Instead, it claimed the symptoms reported by the afflicted people of Sverdlovsk could have come only from breathing anthrax germs which had been released into the air by an explosion.

The committee's theory is that nearly 1,000 Russians died as a result of the accidental blast at military compound 19 near Sverdlovsk, long suspected by U.S. Intelligence of being a centre of Soviet germ warfare preparations.

The committee report however stops just short of accusing Moscow of violating the 1975 treaty banning germ warfare. That treaty does not provide for on-site inspection, and permits signatory countries to retain laboratory quantities of lethal germs for peaceful experiments.

The Administration believes it stands a better chance of getting the real story behind the accident from the Russians through private channels and with a minimum of public accusations. But the House committee discarded allegations that the Carter Administration had deliberately hushed up knowledge of the anthrax incident last year, lest it jeopardise the SALT II nuclear arms pact which it was then trying to push through.

Canada demand on pipeline ratification

OTTAWA — The Canadian Government has mounted a major lobbying effort to have the U.S. Senate ratify maritime treaties between the two countries, signed 15 months ago.

Canadian Prime Minister Pierre Trudeau's Government has become very wary about the strength of commitments by the Carter Administration because of the delay in ratification and is also concerned about the planned Alaska Highway natural gas pipeline, which is to carry Alaskan natural gas across Canada to the lower 48 states.

Dissatisfied with Administration pledges about the pipeline, Canada has demanded a resolution by both Houses of Congress that the pipeline will be built. The Senate passed such a resolution on Friday and the House was expected to follow suit.

In view of the U.S. performance on the maritime treaties, the Canadian Government could not, on the strength of the U.S. Government assurances alone, proceed with construction of the southern legs of the pipeline, Mr. Marc Lalonde, Canada's Energy Minister, said yesterday.

AP-DJ

Ban urged on takeovers by foreign banks

By Stewart Fleming in New York

A RECOMMENDATION that foreign banks should be banned from acquiring large U.S. banks, except in certain narrow circumstances, is contained in a draft report prepared by the General Accounting Office, the investigative arm of Congress.

The recommendation will help to strengthen the arm of members of Congress who have argued that foreign banks enjoy an unfair advantage in the acquisition of large U.S. banks compared with their domestic competitors.

Pressure is expected partly from U.S. banks who would prefer to see U.S. laws restricting their ability to make domestic bank takeovers abolished. But banking legislation is unlikely to be a high priority in Congress before the elections, particularly since a major piece of banking legislation was passed earlier in the year.

Release of krypton gas starts at nuclear plant

BY OUR WASHINGTON CORRESPONDENT

THE FIRST step towards an eventual clean-up of the crippled Three Mile Island nuclear plant has begun, with the release of radioactive krypton gas into the atmosphere. The process, which may take until the end of July, is designed to let plant operators enter the radiated reactor building safely to check instruments and start repair work.

The "venting" of the gas through a specially constructed 160ft tower has stirred much controversy, despite views of scientists and the Nuclear Regulatory Commission that in small doses the procedure is safe.

Many residents around the plant have temporarily left the area, and venting of the krypton gas stopped four minutes after it started, because it set off alarms.

Tests by the Environmental Protection Agency later confirmed that there had been no release of radiation particles beyond very low levels that had been anticipated, and the venting operation was resumed.

The NRC still must approve the modified venting process, but it has temporarily permitted the plant to go ahead with full-scale venting as long as technicians continue to take radiation samples every 15 minutes.

The krypton is a gaseous by-product of the chain reaction in the uranium fuel elements which occurred in the accident of March 28, 1979. Other means of disposing of the gas such as freezing it and carting it away in liquid form, were discarded as too costly.

How the Israelis learned to live with 133.5% inflation

BY DAVID LENNON IN TEL AVIV

THERE WAS no public outcry or rioting in Israel's streets when inflation totalled 133.5 per cent in the 12 months up to the end of May. One reason was that the past two years have left most Israelis numb to inflation figures. Three-figure inflation simply no longer shocks.

The other explanation is that most people are surviving these enormous leaps in the consumer price index quite well. This is thanks mainly to the almost universal index linkage in Israel.

With savings, wages and welfare grants linked to the cost-of-living index, based on a basket of consumption items, including housing, most Israelis have not only learned to live with inflation, but many flourish in its shadow. Inflation, after all, "increases" the worth of individual savings, as each month the Government-issued linked savings bonds parallel the rise in the index. Industry, business, small merchants and the self-employed all pitch their prices above the most pessimistic inflation forecasts, ensuring that, at worst, they break even, at best they make more than they had planned.

Dollars are also invading the economy, not only in the industrial and export sectors, but also in private transactions.

People buying or renting flats have long abandoned the local currency, and the classified columns for homes are studded with dollar signs. Even dentists have begun to quote dollar prices for such expensive and lengthy treatment as orthodonty.

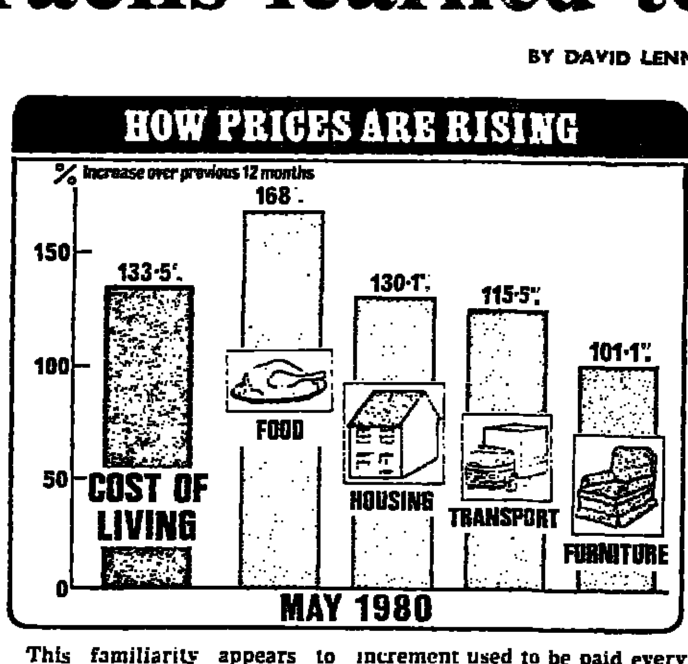
In shops there is no longer any point in asking a price unless you intend to buy there and then. Next week a new tag will be stuck over last week's price.

This is particularly hard on the elderly. One woman confessed that nearly half a century's experience of careful, comparitive shopping has become almost useless. "It is hard to look for bargains when it is impossible to know the price of any item for long," she explained. "It is only possible to make the comparison on a given day. . . . On the other hand, if a price remains stable for a few weeks it is probably worth stocking up . . . because you can be sure the price will rise soon," she adds, displaying the new skills needed in inflationary times.

Planning the family budget has long been a housewife's nightmare. This is hardly surprising with food prices rising by 168 per cent in the past 12 months. In May alone, fruit and vegetable prices were up by 11.1 per cent, and frozen chicken by 31.3 per cent.

These figures are not unusual. The overall consumer price index rose by 9.5 per cent in May, an "improvement" on the April figure of 10.2 per cent.

Mr. Arnon Gafny, the governor of the Bank of Israel (Central Bank), explains: "The present dizzy inflationary spiral began in the second half of 1978, after prices had been rising at a high 30 to 40 per cent annual rate since 1974." For many years before that, Israelis had been used to annual inflation rates of up to 10 per cent.



This familiarity appears to have bred, if not contempt, at least a certain immunity. Israelis also know that their standard of living has risen over the years.

Starting from a fairly spartan base when the state was founded three decades ago, people have been pushing for and attaining ever higher living standards. This has notably included larger homes and plenty of consumer goods. It is not just desirable but also logical to buy newer and bigger fridges, television sets and stereos, because everyone knows they will be more expensive tomorrow.

Employers automatically adjust wages and salaries every quarter to compensate for 80 per cent of the inflation in the previous three months. The increment used to be paid every six months, but accelerating inflation led to more frequent adjustments, and there are those now agitating for monthly adjustments.

Compensation is paid on the first IS 30,000 (£265) of monthly salary, which is above the average wage. This ceiling is adjusted upwards every six months. This month's automatic increase will be nearly 18 per cent, the second such rise this year.

Employers' pensions rise in the same way as wages. State pensions and all welfare payments, except children's allowances, are automatically adjusted upwards each time the cost-of-living index rises by 10 per cent. The payments were adjusted 11 times last year. Child allowances are increased irregularly by the Government.

People can protect savings by investing either in the Government's negotiable linked bonds or in bank savings schemes. The banks offer full linkage plus interest on deposits closed for a fixed number of years, with a minimum of three years.

Most banks also offer schemes linking deposits to the index and a basket of foreign currencies. They promise to pay the depositor according to which ever rose more during the fixed-deposit term.

To this has to be added the wage increases won through ordinary wage negotiations. Taken together, they have so far guaranteed annual increases in real wages—3 per cent last year. Despite a great deal of huffing and puffing by the present Finance Minister, there is considerable doubt that he will be able to prevent a further rise in real wages this year.

It is this, plus indexed savings, which enabled one middle class couple to say: "The grocery bill jumps every month, but when we look at our friends and neighbours there is no sign that their standard of living has fallen drastically. If anything, it may have edged up a bit. They all seem to be going abroad for holidays this year."

To bear out their point, recent estimates show that a near-record 400,000 Israelis will holiday abroad this year. The travel agents, who feared a disastrous season, find their offices packed all day.

But inflation had made the young middle-class couple more cautious about daily spending, "and we have held back on some home improvements we had planned." They also say the impact of three-figure inflation is mainly psychological. "The constant erosion of the value of the money is disturbing.

Indexation cannot protect everyone. Wage earners at the lower end of the scale, and those without a strong union, are suffering. Many poor families are particularly bitter that the Government is seeking part of the remedy by removing subsidies on basic consumer items, which is about all they can afford.

Serious domestic unrest will be avoided as long as income and savings for most people are protected. With 100 per cent inflation, the problem is not yet desperate. The linkage instruments are working relatively efficiently, and the economy is operating in a more or less orderly way.

But the fall in monthly inflation registered early in the year has now given way to an upward trend. The potential for an annual rate of over 150 per cent looks very real. There is some doubt whether the linkage apparatuses can hold up if inflation nears 200 per cent. If the value of money starts decreasing by half a per cent a day there is a real prospect of economic bedlam.

Because indexation does make inflation bearable, if not loved, it also makes it hard to persuade people they must take a drop in their standard of living if the spiral is to end. Even worse, indexation has itself become inflationary, fuelling expectations of further inflation and pushing people to raise their incomes in anticipation of what is to come.

Three-figure inflation also has other damaging effects. Emigration accelerates, crime rises, the poor find it harder to feed their families, and more and more people write dud cheques, as the normal rules of decency are increasingly ignored in the struggle to survive.

Mr. Gafny believes that blunting inflation "is our paramount and most urgent objective, and a precondition for any positive development of the economy." It is also essential if indexation is not to collapse under the pressure and add real economic distress to the political forces already straining Israeli society.

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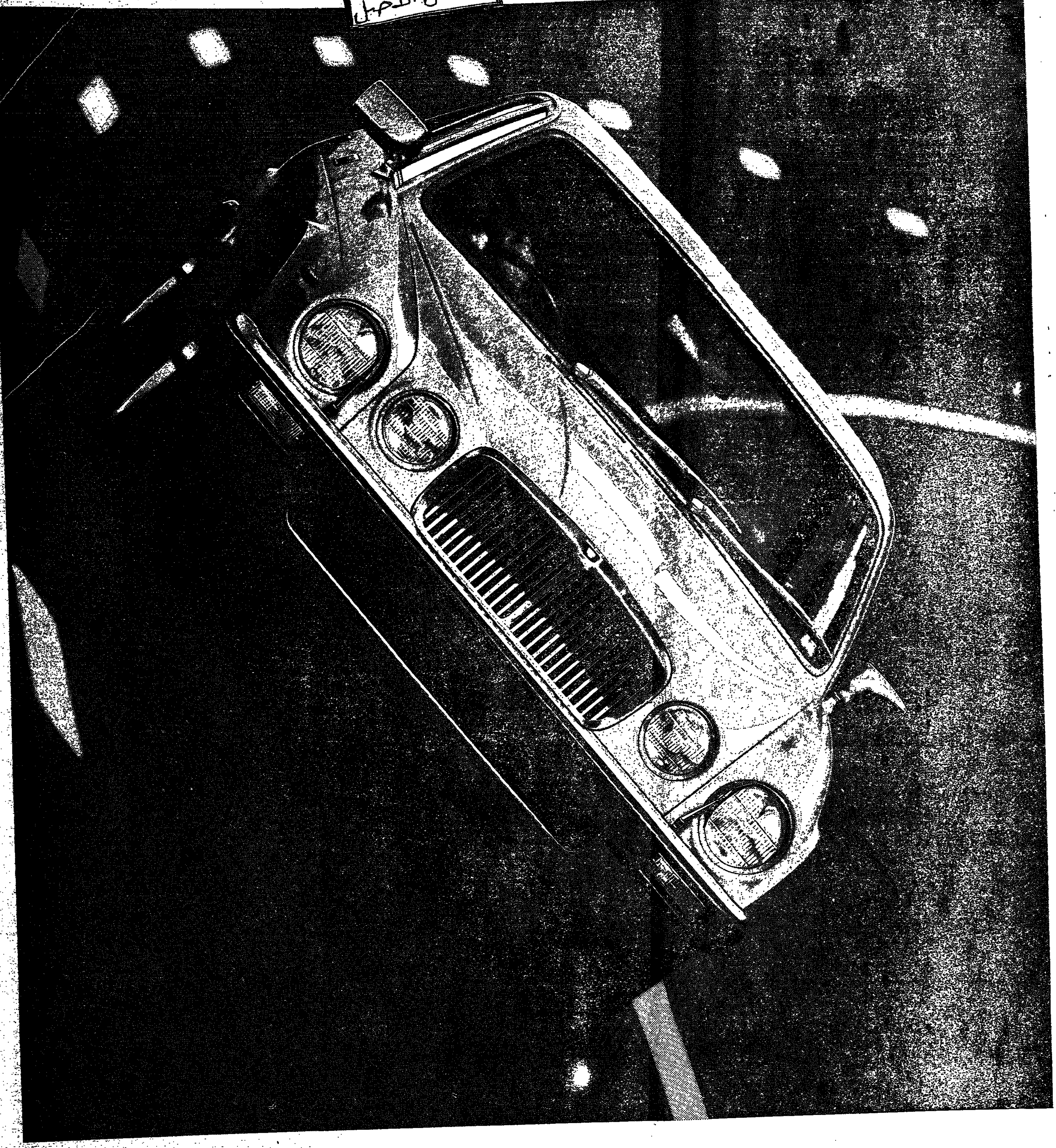


WORLD TRADE NEWS

Romanians move back to Comecon co-operation

By Anthony Robinson

ROMANIA, in spite of agreement yesterday on a new trade pact with the EEC, now appears to be moving back towards closer co-operation with the Comecon bloc.

The reason seems to be harsh economic necessity caused by a growing hard currency oil import bill and problems in producing enough high-quality goods to satisfy hard currency export markets.

Last year Romania imported some 400,000 tons of oil from the Soviet Union and is believed to be receiving around 1m tons this year. It appears to be having second thoughts about the recently announced agreement to buy Iranian oil. This was originally reported to be on a cash basis. But Romania, with hard currency debts of about $4bn (£1.7bn) and a trade deficit of about $1.2bn last year is hard pressed to find the currency required.

A further indication that Romania is being forced back to Comecon suppliers and increased Comecon trade generally is contained in the latest five-year trade protocol signed last week between Romania and East Germany.

Under this agreement two-way trade is scheduled to rise by 40 per cent over the five-year period to a total of about $8.75bn compared with $6.4bn over the period of the present plan. The higher figure is *officially reported to be a* minimum, with provision for a further increase to $10.5bn.

The agreement was signed at the end of a three-day visit by Mr. Erich Honecker, the East German party leader. Most East German exports will be mining equipment, machine tools and agricultural plant. Romania exports mainly petro-chemical products, engineering goods, furniture and early vegetables.

● Iran and Hungary will increase their bilateral trade, and Hungary will provide technical assistance and help Iran establish various industries, according to a protocol signed at the end of a visit by an Iranian economic delegation to Hungary, Tehran Radio has reported.

Hungary will also help Iran complete unfinished industrial projects and create various industries and agricultural units, the radio broadcast said.

Hungary has also expressed readiness to provide Iran with food, industrial raw materials, electrical equipment, steel, chemical and petrochemical products.

Tokyo discusses Soviet pipe terms

BY RICHARD C. HANSON IN TOKYO

THE HIGHEST ranking Soviet trade official to visit Tokyo since Russian troops invaded Afghanistan is attempting to negotiate a final agreement on official financing for Japanese pipe exports this year valued at an estimated $350m.

Mr. Victor Ivanov, a vice-minister in the Soviet Ministry of Trade, arrived late last week to continue long delayed discussions with the Export and Import Bank of Japan. Last month a Japanese delegation, including representatives of the steel industry, left Moscow after failing to settle financing terms. The Soviet negotiators are believed to have asked for interest rates on the Exim Bank loans comparable to the cheaper terms won from the West Germans on sales of large pipe. They have also complained about the price, originally decided before the yen appreciated in value sharply in April and May.

There has so far been no clear indication whether the Russians will succeed in their efforts to lower the cost of the proposed Exim bank loans which will cover about 700,000 tonnes of large pipe for a natural gas project in Siberia. Mr. Ivanov's presence, however, indicates that the two sides may be close to settlement.

Japanese steel companies had already broadly agreed over the amounts expected to be shipped this year, but the flare up in Afghanistan early this year forced the Government to suspend talks on official financing. That ban was lifted this spring when it became clear that other Western allies, specifically West Germany, were going ahead with similar pipe export contracts to the USSR.

Japan, in concert with the U.S. and its Western allies, has gone along with sanctions aimed at the Soviet Union following the invasion of Afghanistan, including the boycott of the Moscow Olympics. New economic projects are at a standstill pending Government approval on a "case by case" basis.

The Foreign Ministry very carefully denied that Mr. Ivanov's visit represents any shift in the Japanese Government's position on economic sanctions. Officials emphasise that Mr. Ivanov is only here to talk about the pipe contract, and point out that his rank in *the Soviet Government is well* below the "ministerial" level. Nevertheless, his visit was "privately" discouraged earlier this year when tensions were at a peak over sanctions sought by the U.S. against the Soviet Union.

Meanwhile, agreement has been reached on a separate shipment of seamless steel oil well pipe and pipeline for the October-March half year. Four Japanese steel makers will provide more than 170,000 tonnes, up from about 150,000 tonnes negotiated for the current six months.

The Japanese have won price increases ranging from 8 per cent for pipeline to 20 per cent for pipe casings over the present contract, though the actual prices have not been disclosed. The seamless pipe exports do not require special *financing* unlike the large-diameter pipe exports which, because of the size of the contract, require a large yen credit from the Eximbank.

Airbus tipped to win £100m Kuwait order

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European consortium building the A-300 and A-310 Airbuses, has won a major battle with Boeing of the U.S. for a key Middle Eastern market—Kuwait Airways.

That airline has placed a memorandum of understanding with Airbus Industrie for an eventual order for six A-310 200-seat Airbuses, worth about £100m including spares.

Boeing had been fighting for the order with its 767 semi-wide-bodied airliner.

Kuwait Airways and Airbus Industrie will now discuss details of the contract such as prices and delivery dates. The A-310, the smaller version of the Airbus, is now under development and is not due to make its maiden flight until early 1982, and will enter service in 1983.

Kuwait, therefore, is not likely to get its aircraft until late 1983 unless specially favourable delivery terms can be arranged.

The Kuwait deal brings total orders and options for Airbuses of all versions to 415 aircraft, of which 139 are A-310s.

Robert Gibbens writes from Montreal: Pratt and Whitney Aircraft of Canada, which is owned by United Technology Inc. of the U.S., has sold four small turbo-prop PT6 engines to China to be used for aircraft development purposes. The first engine is now being delivered.

Negotiations between the company and Chinese aviation officials are believed well advanced towards a licensing agreement under which the Chinese would build the PT6 themselves. The PT6 is the most widely used small turbo-prop in the Western world and China is planning a small general purpose aircraft for which it would be suitable.

● Air Canada, the Canadian national airline, is bidding for engine and component overhaul contracts from Britannia Airways, the UK charter line, flying Tiger Line, a major U.S. cargo carrier, and the Saudi Arabian Airline, Saudia.

Japan shows yen for Chester Barrie

BY RHYS DAVID

THE STATUS-CONSCIOUS Japanese businessmen with his penchant for prestige western names can now buy a Chester Barrie briefcase, tie or belt or perhaps even pay for his highly expensive Chester Barrie suit with a credit card carried in a wallet bearing the British company's logo.

All these accessories — and a range of other mainly leather goods — are now available in Japanese boutiques as a result of a licensing deal which Austin Reed, the Chester Barrie parent group, has recently worked out.

It was exactly two years since Austin Reed bought the group, which had weighed itself down with excessive overheads, from the receiver. According to Mr. Barry Reed, the chairman of Austin Reed, it was soon realised that perhaps not enough was being done to capitalise on a very well-known name.

A request for a wider range of merchandise came originally from the company's Japanese clients, and the products have been chosen to fit in with Chester Barrie's position at the top of the market. An all cashmere jacket from the company's modern factory in Crewe can set the buyer back £350 and an all worsted suit—almost entirely hand-made—will cost £250-£325 this autumn. If the Japanese experiment works it is likely to be extended later to Europe adding further to royalty income earned by Austin Reed—worth last year a total of £250,000.

Wider exposure for Chester Barrie, which produces around 800 jackets and 800 slacks (either as separates or suits) per week, is also being obtained through a new deal with Hickey Freeman, a leading U.S. menswear producer. The U.S. company, an associate of Hart, Schaffner and Marx which owns 16 per cent of Austin Reed's ordinary shares, has begun making Chester Barrie brand clothing on a limited scale which will sell alongside suits, jackets, slacks and topcoats exported directly from the UK.

Mr. Neil Fitton, Chester Barrie's managing director points out that the arrangement will result in a more American product being made available to consumers using mainly imported cloths from Europe.

With a loss of £283,000 on £4m turnover in 1976-77 converted to a profit of more than £400,000 on sales of £4.2m last year, Chester Barrie is hailed as Austin Reed's success story in the group's recent report. The changes made have included the elimination of part-time jobs in favour of a much smaller workforce of around 400, abandonment of the previous strategy of seeking to develop new less expensive brands, and extensive re-equipment of the Crewe factory to provide better working conditions.

Some 55 per cent of the company's production is exported with more than half going to Europe, where France is the top market. At a time when conditions in clothing manufacture generally are proving extremely difficult as a result of inflation, high interest rates and imports Chester Barrie claims to have pre-sold its entire autumn production, and to be well booked into next spring as well.

The one problem highlighted by Mr. Reed is increasing difficulty in finding in Yorkshire suiting cloth of imaginative enough design appeal to please Chester Barrie's sophisticated international customers. The company still buys most of its worsted and woollen cloth in Yorkshire and all its cashmere in Scotland, but Italy is now meeting a quarter of total cloth requirements.

The weakness in Yorkshire design—quality is not being faulted—are the result, Chester Barrie executives claim, of excessive concentration on the Japanese market and on the London cloth merchants who supply tailors. Not enough time, they feel, is being spent working with clothing manufacturers and finding out from them which cloths are likely to be commercially successful in made-up garments.

Maputo and Salisbury in transport agreement

By Tony Hawkins in Salisbury

ZIMBABWE and Mozambique are to set up a joint transport and power commission and extend economic co-operation. This was announced at the end of four hours of talks between Mr. Robert Mugabe, the Zimbabwe Prime Minister, and President Samora Machel of Mozambique held in Maputo on Saturday.

The weekend meeting in Maputo will be followed this week by a further session on transport problems which will be attended by some of the nine countries which have agreed to extend their economic co-operation, and especially tighten transport ties, in an effort to reduce dependence on South Africa.

Mr. Mugabe announced last week that Salisbury planned to sever diplomatic and political ties with South Africa but that economic relationships would continue.

He said trade and economic links with South Africa were inevitable because of the geographical realities. His Government would be prepared to agree to continued South African representation in Zimbabwe at the level necessary to maintain these links.

But there has been no indication of the timing of any severing of diplomatic links. South Africa still has its *diplomatic mission in Salisbury*, as was the case throughout the UDI and sanctions period.

The transport discussions in Maputo are central to future economic links with South Africa since it is estimated that more than 90 per cent of Zimbabwe's import and export traffic uses the South African rail system. In addition, Zambia, Zaire and Botswana are also dependent to varying degrees on the South African transport system.

● New payments regulations to take account of the changed situation of Zimbabwean exporters following the lifting of economic sanctions have been published by the reserve bank in Salisbury.

It says it will accept payments for exports in any of 17 different currencies, chiefly those of OECD countries, but exports to 40 specified countries, including neighbouring Zambia, must be paid for in advance or covered by an irrevocable letter of credit issued or confirmed by a "reputable overseas bank."

Along with Zambia, Angola, Nigeria, Tanzania and Kenya are required to pay in advance for imports from Zimbabwe.

● Moss Engineering reports that its Wallwin Pumps subsidiary has won orders worth £1.1m to instal water towers and sewage systems in Abu Dhabi, Gambia and South Yemen. Its Williams E. Farrar subsidiary has won a £300,000 order for penstocks and valves at the Shek Wu Hui plant in Hong Kong. Deliveries for all the contracts are to begin later this year and in 1981

Prospects worsen for accord on GATT safeguards

BY BRIJ KHINDARIA IN GENEVA

PROSPECTS HAVE worsened for an agreement this year on safeguard measures which may be taken by industrialised countries to protect their domestic markets against sudden and damaging increases in cheap imports.

Negotiations for the accord, which would become part of the Tokyo Round trade package concluded last December, reached an impasse about 11 months ago. A special committee was created earlier this year to find solutions for the main disputes.

The committee completed its first report yesterday on progress made in informal consultations between the main protagonists — the Common Market and the more advanced developing countries.

The brief report noted that the impasse continues but said that further negotiations might result in laying the basis for a new agreement.

A new report will be prepared in October. Diplomats said negotiating positions have become wider apart and agreement is unlikely this year.

So far safeguard measures are taken under Article 19 of GATT, which, applied in combination with GATT's Article 1, allows any country to enforce import curbs after informing its GATT partners provided that imports from all countries are affected equally.

The Common Market has insisted in recent years that the Article should be reinterpreted in a new agreement to allow import curbs selectively against specific suppliers.

Developing countries say they will accept the Community's demands only if curbs are closely monitored by an international committee and tight criteria are met to prove that imports rather than other causes are behind the troubles of domestic industry.

Creation of the special committee had raised hopes for an agreement this year. But neither the Community nor the developing countries have budged from their positions.

Many developing countries earlier thought that they would delay signature of other agreements in the Tokyo Round package as a means of putting pressure on industrialised nations to conclude a satisfactory safeguards accord.

But the long passage of time and changes in international trade relations have reduced interest in the planned agreement. Many countries now feel that in a period when Western economies face recession protectionist curbs are inevitable and Article 19, in its existing form, might work better than any new and imperfect safeguards accord.

U.S., EEC introduce new Customs system

BY MARGARET VAN HATTEM IN BRUSSELS

A SIGNIFICANT step towards dismantling non-tariff barriers to international trade begins today with the introduction in the U.S. and the EEC of new rules for Customs valuation.

Both parties are introducing the new rules, drawn up under the GATT multi-national trade negotiations signed in Geneva last December, six months ahead of the required date. They coincide with the introduction of new tariffs in the chemicals sector, one of the main areas affected. Japan is due to implement the agreement from the start of next year.

The system, which replaces a multiplicity of complicated national procedures, marks the end of a 30-year struggle by the Europeans against the 60-year-old American Selling Price (ASP) system applied to Benzenoid (coal-based) chemicals.

This system, according to Brussels Commission officials, was "notoriously protectionist," allowing for effective barriers up to four times as high as the official tariff barriers.

The system also does away with inbuilt protectionism for goods on the so-called "final list" — cars, textiles, steel and steel products, chemicals, foodstuffs, consumer durables and many others — where Customs duty was assessed on the basis of market prices either in the U.S. or the country of origin, taking the higher figure.

Under the system, the Customs value of imports will be based on the price actually paid in the transaction, to which may be added various costs such as selling commissions, brokerage, packaging, royalties and licence fees.

The main advantage of the system, it is felt, will be to eliminate scope for arbitrary action by Customs officials, thus sealing off protectionist loopholes and, by ensuring that all Customs valuation is subject to the same rules, making tariffs *more directly comparable*.

Gloomy forecast on liner capacity

FINANCIAL TIMES REPORTER

THE OUTLOOK for liner shipping in the immediate future is not encouraging because "excess capacity remains, and is likely to reach a peak in 1980-81," says Mr. Bill Slater, managing director of Cunard.

He writes in the latest edition of *Lloyd's Shipping Economist* that studies by Cunard showed that the further container, roll-on-roll-off world fleet expansion required up to 1985 was an *absolute maximum of 10 to 30 per cent.*

"I hope that good sense prevails and that the rate of ordering of new container-carrying capacity will slow down."

Specifically, he hopes that "certain container-shipping lines will now reconsider their plans for their fleet replacement programmes, which involve dramatic increases in container capacity and market share."

Mr. Slater gives a warning of a "new destructive element" in the form of "independent action" emerging in some liner conferences, particularly in the U.S. trades where closed conferences are not allowed. *Independent action means* permitting an individual conference-member line to set its rates on a particular commodity below jointly-agreed conference levels.

Certain U.S. lines, he says, continue to demand this right of immediate independent action. He suggests this might be a short-term measure to increase their trade share "to fill additional capacity they are unilaterally introducing."

● Common Brothers has acquired for £5.5m cash the two 32,000-deadweight ton product tankers Newburn and Simonburn, which it has operated on demise charter from Nile Steamship since they were delivered in 1972 and 1973 respectively.

The acquisition was funded by bank borrowings. The company says that in the short term this financing will mean a higher charge to the profit-and-loss account than the current charter charge of £802,000 a year. But it will give the benefits not only of allowances for deferment of taxation "but also greater flexibility for the operations of the group."

Caledonian plans 70% cut in Brussels fare

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

NEW CHEAP air fares of £15.50 single between Gatwick and Brussels and Amsterdam, cutting the existing economy-class fares of £49.50 by more than 70 per cent, are planned by British Caledonian Airways.

Their introduction next winter will depend on the successful outcome of negotiations now in progress between the Department of Trade and the Governments of Holland and Belgium, aimed at winning agreement for more liberal policies on European air fares.

The Government, through Mr. John Nott, Secretary for Trade, is determined to reduce European air fares if possible, but has faced considerable difficulties from Continental airlines and Governments which are lukewarm to such ideas, especially in the present difficult economic climate.

But support for the British plans came last week with the request by the European Council of Ministers for a study of European air fares, and British Caledonian believes that now is the time to push harder for cuts.

Mr. Alastair Pugh, managing director of British Caledonian, said yesterday that the airline had been trying for more than a year to introduce cut-price flights between Britain and 23 *European destinations*, under the B.Cal name of Mini-Prix.

"If the Government can negotiate approvals with Holland and Belgium we will introduce daily, low-fare One Eleven *flights on* the Gatwick-Amsterdam and Gatwick-Brussels routes from November 1," said Mr. Pugh.

Fares on both services will be £31 single for a bookable, no conditions Mini-Prix flight, and £15.50 for an *eleventh-hour* Stand-by fare.

If Government approvals can be obtained in West Germany, Austria and Finland, cheap fares will also be introduced on the six new routes awarded to *British Caledonian* earlier this year, to Cologne, Hamburg, Hanover, Stuttgart, Vienna and Helsinki.

A B.Cal plan to cut fares to Paris has been vetoed by the French Government in recent talks with the Department of Trade.

"Low fares to Paris will have to wait for the moment," said Mr. Pugh. "But the Department of Trade has the unique opportunity to open the gates of consumer demand for low fares to Belgium and Holland.

"The B.Cal plan for cut-price flights is directly in line with EEC Commission recommendations and the recent European air fares report from the House of Lords.

"The consumer is impatient and we, the airline, are ready. I am confident that we will now get inter-governmental backing for lower fares by this winter."

British Caledonian is also in *favour* of scrapping out-dated bilateral air service agreements between airlines, which, it believes, have helped to keep fares up in the past.

Mr. Ian Ritchie, commercial director of B.Cal, says that now that the new Civil Aviation Act is about to become law the way is open to revise such agreements and open them up to the commercial forces of change, including the introduction of cheaper fares to meet the wishes of the travelling public through*out the EEC.*

Cut in insulation workers hits save-energy campaign

BY MAURICE SAMUELSON

THE MINERAL insulating fibres industry has laid off 11 per cent of its workforce in the past year, when Britain is officially committed to improving energy conservation through greater insulation of buildings.

The figures were given in a bitter attack on the Government's reduced financial support for energy saving schemes by the General and Municipal Workers' Union, Britain's third largest union.

Mr. David Warburton, its national industrial officer, said that the mineral insulating fibre industry had laid off 458 workers between the Spring of 1979 and 1980, out of a workforce of 4,245, a ndthat another 600 people were on short time.

"Every £1 spent on insulation would have saved £3 in energy. But the Government, "as a result of blind monetarist dogma," *had stopped* grants for industry and abandoned direct help for home insulation, except for the sick and elderly, he said in a report entitled "An industry at risk." "This has caused unemployment, wasted millions in new investment and will, in a relatively short time, result in five or six times as muc hto be wasted as the paltry sum now supposedly being saved."

While partly accepting the Government's view that high prices encourage energy conservation, especially in industry, he added: "We cannot accept that by themselves they are the most cost effective or socially desirable means of encouraging domestic householders to achieve substantial savings in energy usage."

The present Government, he said, had halved the budget for grants to private householders for insulation from £25m to £12.5m; discontinued the £23m Whitehall provision for insulation of council houses, shifting this burden to local authorities; discontinued a £12.5m a year grant for encouraging investment of energy saving plant.

Mrs. *Thatcher, he added,* was "paying lip service to energy conservation in Europe and in Venice, while wrecking the key industry at home."

The GMWU has already met Mr. Geoffrey Finsberg, MP, *parliamentary under-secretary* at the Environment Department, urging him to encourage local authorities to allocate more resources to home insulation.

Eurisol-UK, the body representing the principal manufac*turers of mineral* insulating fibres, said yesterday the industry was working at only two-thirds of its capacity.

Chamber call to disband ILEA

BY ROBIN PAULEY

THE INNER *London* Education Authority should be abolished and replaced by a commission responsible for proper financial control and the maintenance of high educational standards, both of which are *presently* lacking, says the London Chamber of Commerce and Industry.

The chamber has sent its proposals to the government committee which is examining privately the future of ILEA and which will make its *recommendation* to Mrs. Thatcher and Mr. Mark Carlisle, the Education Secretary, next month.

It says that ILEA should go and that control of education should be removed entirely from the *local political arena* to a permanent, non-elected Inner London Education Commission.

The chamber says the commission should be appointed directly by the Secretary of *State for Education and Science* and be directly accountable to him. Although he would be responsible ultimately for its budget, the commission would be funded partly by central government and partly by a rate precept. It could be expanded later to include all of greater London.

The commission would consist mainly of education experts and education management. Consideration should also be *given for representatives* of London's local authorities and the chamber to be included as members.

Mrs. Thatcher and Mr. Carlisle are known to have been in favour of recommendations *in a report* by a Tory committee earlier this year for the dishanding of ILEA and for handing over responsibility for education to the inner London boroughs.

Although the recommenda*tions* attempt to deal with a lack of financial accountability, they may not do anything to improve political accountability. The establishment of a non-elected body would be a step in the opposite direction to that favoured by Mrs. Thatcher who wants responsibility to be given to the boroughs so that accountability is nearer to the parents.

PAUL ALLAIRE STEPS UP AT RANK-XEROX

A luxury the new chief cannot afford

"UNLIKE MOST people who move into a new job, I won't have the luxury of blaming my predecessor for anything that *goes wrong* in the first year or so," says Paul Allaire, who takes over today as managing director of Rank Xerox.

The 41-year-old American has, in effect, spent the past five years understudying *his* new role as operating chief of the copier - duplicator company, owned 51 per cent by Xerox and 49 per cent by the Rank Organisation.

He *moves up from* deputy managing director to succeed William Glavin, also an American, who is returning to Xerox headquarters in Stamford, Connecticut, as executive vice-president. Earlier, from 1970 *to 1973*, Mr. Allaire served as Rank Xerox's director of financial planning and control.

His empire covers Rank Xerox sales, service and support activities in 80 countries, including the whole of Europe *and Africa* and large chunks of Asia as well. This geographical sweep is served by 24 operating subsidiaries producing total revenues of more than £1bn a year.

He takes over the reins at a *moment* when Rank Xerox is striving, with some success, to claw back the market for cheaper machines. Japanese competitors have made deep inroads, especially among customers who had never had a *copier* before.

Sales force

Mr. Allaire admits that Rank Xerox was in danger of growing complacent. "In the past, if this type of *customer decided* to buy a machine, it was from the first guy who knocked on his door. Unfortunately, it wasn't us. We tended to think it didn't matter. We were wrong."

Recently, Rank Xerox has beefed up its marketing, establishing a 'New Business Sales Force" dedicated to tracking down new customers. Its salesmen now use telephone selling—a new departure for the company — and other *techniques* are also being tried out.

The Rank Xerox product line has also been extensively updated. Last month, no fewer than five plain paper copiers and a high-sped facsimile machine were launched simultaneously in the UK. The range also includes word processors.

Mr. Allaire claims that the counter-attack is working. New business was ahead of target in the first half of this year, and the company seems likely to beat last year's record of doubling its new customers.

But making money at the lower end of the market can be hard work. Margins are slimmer than on the sophisticated and more expensive machines, some of which are virtually compact print shops, of which Rank Xerox remains the dominant manufacturer.

More customers than expected have also opted to rent machines rather than buy them in recent months. This tends to depress Rank Xerox's short-term revenues. Mr. Allaire attributes the trend to customers' caution in the face of the recession and to their concern that their equipment could be outdated by more advanced models coming on o the market.

While Mr. Allaire believes that copiers will remain the mainstay of Rank Xerox's business for years to come, the company is also positioning itself for the advent of the electronic "office of the future."

It is test-marketing among selected customers in London its new "intelligent" copier/printer, developed by Xerox in the U.S. The machine uses microprocessors both to improve reliability and copying quality and to receive and reproduce on paper information encoded in digital form.

It can turn digital data transmitted by line or stored in a computer memory into docu*ments, even if they have not* previously been committed to paper. Using the screen, an operator can edit and change the format of the information before it is printed.

Showroom

The company also plans to open a showroom next year in central London, where it will demonstrate a working "office of the future." This is expected to *incorporate a number of* its most modern products, linked by an electronic digital network.

Rank Xerox's U.S. parent has designed a local network, Ethernet, which can circulate digital data at extremely high speeds of up to *10m binary units* (bits) per second. It recently signed agreements to develop the project jointly with Digital Equipment, the minicomputer manufacturer, and Intel, a leading American semi*conductor* manufacturer.

Mr. Allaire is cautious, however, about forecasting how rapidly the new information technology will catch on. He believes that much of what is technically possible today must be tested in practice *before* it is put into commercial production. "It must be comfortable for people to use," he says.

He also fears that the growth of the electronic office will be hampered in Europe by a shortage of skilled programers needed to design the systems which will link different machines together in a network.

Personal experience has also made him wary of predicting any suddent revolution in office automation. "My secretary has a word processor. I kid her that her desk has as much paper on it as before," he says.

With a good few years ahead of him he anticipates always having to carry home his briefcase with papers in it.

UK NEWS

Joseph warning to State industries

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING that State-owned industries should not expect to have their financial targets relaxed in the wake of the Government's decision to provide extra funds for the British Steel Corporation was given last night by Sir Keith Joseph, Industry Secretary.

In a bid to bolster the credibility of his policies in the wake of last week's steel industry decision Sir Keith said that BL would find it "very, very hard" to persuade Ministers to provide extra funds.

Sir Keith, speaking on BBC Panorama last night, linked these warnings with outspoken criticisms of trade unions for showing "unenlightened self-interest" when pushing for high pay rises.

He also tried to explain his weekend remarks about unemployment and pay levels by declaring that the country needed lower industrial unit labour costs—which could be achieved by both lower wage levels or high productivity. He saw no need for a pay freeze.

At the same time Sir Keith underlined his lack of control over the Government's commitment to provide extra cash for BSC when he said that the £400m projected figure of extra funds was only a "guesstimate."

He clearly feared that this figure could well be exceeded if BSC continued to follow its existing policies. But he said that he hoped Mr. Ian MacGregor, the new chairman, would introduce measures that would reduce the total needed.

He denied that the Government had made a "U turn" by agreeing to waive the steel corporation's financial limits for this year. It had agreed only to a delay in achieving the targets. "A U turn is when you reverse, when you change the objective," he said.

Hard struggle

Sir Keith, asked about other nationalised industries which are having problems meeting their financial limits, said that such businesses would "feel strong pressure on them to reach their targets—they will not be relaxed."

Asked specifically about the chances of BL being granted extra funds later this year to tide it over its increasing problems, he replied: "We shall be very, very hard to persuade. BL has a very hard struggle and the people concerned know that it has got to survive on its performance."

Throughout his interview, Sir Keith drew a sharp distinction between individual workers, who he said wanted their companies to be profitable, and trade unions who maintained restrictive practices and sought high wage increases for their members.

In the "real world," he declared, lower unit costs led to higher productivity and profitability, fewer imports and more jobs. But this was not possible in a country which had "a rigid trade union movement that does not understand the true interest of its members or of the country.

"I do not believe that there is any other country in the western world where trade unions behave in this way," he declared.

New law reverses NEB's role

By Our Industrial Editor

RESPONSIBILITY for Rolls-Royce, the State-owned aero-engine manufacturer, will be transferred to the Department of Industry from the National Enterprise Board in the next few weeks.

New legislation in the Industry Bill, which received Royal Assent yesterday, gives Sir Keith Joseph, Industry Secretary, powers to take over assets such as Rolls-Royce from the NEB. He has to decide whether to transfer BL as well, in line with the wishes of both the company and the NEB.

The legislation changes the functions of the NEB and of the Scottish and Welsh Development Agencies. It follows the Government's policies of cutting State intervention in industry and reducing public expenditure.

The NEB is now required to promote the interests of the private sector by selling its profitable assets. It no longer has the statutory duty, given by the last Government, of extending public ownership in industry.

Guidelines restricting the day-to-day operations of the board are to be published shortly and new financial targets are being negotiated.

Alfred Herbert issues redundancy notices to 1,343 employees

ALFRED HERBERT, the engineering company, yesterday gave 90-day redundancy notices to 1,343 employees at the Edgwick, Coventry, plant yesterday. Herbert has taken the step against the eventuality that Edgwick is not sold off, or, if a purchaser is found, the new owner might well wish to restructure the operation.

Whatever the outcome of the efforts to sell Edgwick, and also the Mackadown Lane plant in Birmingham (for which Herbert says it has received firm offers), the Alfred Herbert group will no longer exist. The technical details of its ultimate demise appear not yet to have been worked out, but there can be no possibility that the group will continue in its present form.

The final stages of Herbert's long drawn-out death were ushered in at the beginning of this year. Mr. Peter Rippon, the chairman, announced a rationalisation programme which would involve the sale of certain subsidiary companies, leaving Herbert to concentrate on the advanced technology machine tools where it considered its future must lie. This was to be centred on the Edgwick plant.

Herbert had little choice when it drew up the programme. It was forecasting a loss of £1.5m for 1979, which in machine tool orders throughout the industry that has been evident since the beginning of the year has obviously had its effect on the two remaining major plants of Herbert—Edgwick and Mackadown Lane. Although Herbert took a large amount of space at the April

Hazel Duffy, Industrial Correspondent, considers the demise of one of Britain's best known engineering companies.

the event turned out to be £5.3m, and the National Enterprise Board made it clear nine months earlier that it could expect no more cash from that source. The programme of disposals got off to a reasonable start. The Lutterworth plant has been sold off to the American De Vleig corporation, Herbert Sigma (measuring and inspection equipment) and only yesterday the sale of Herbert Tooling was concluded.

But the dramatic drop in machine tool exhibition in Birmingham, and proudly displayed its new advanced technology machine tools, the cash flow at the group was clearly becoming desperate.

In April, Herbert asked the NEB for more money, although it must have come as no surprise that it was refused. Moreover, the NEB refused to give the guarantee that was required by Herbert's bankers if they were to extend the overdraft facilities. The whole programme was put into jeopardy; and Herbert had to put the two remaining plants up for sale. Firm offers have been apparently received for Mackadown Lane; but negotiations are much less advanced at Edgwick, giving rise to the possibility that the whole operation will have to be closed down.

If the experiment in advanced technology machine tools fails, this will perhaps be the saddest epitaph for Herbert. It will also have been very costly in terms of public money and, at this stage, it is impossible to speculate how much of this will be returned to the public coffers from the sale of assets and stocks.

The winding-up of Alfred Herbert will not come as a surprise to the machine-tool industry, but it must inevitably diminish the industry's standing internationally to some extent. Herbert was one of the great names in machine tools, with a huge product range, and was known the world over.

Motorola may expand at East Kilbride

By Ray Perman, Scottish Correspondent

THE U.S. micro-processor firm Motorola Semiconductors is considering major expansion of its manufacturing operations in Europe, possibly at its plant in East Kilbride, Scotland.

The company is expected to decide in the next six months whether to proceed with the plan. It could involve an investment of up to £50m and creation of 500 jobs.

The proposal is to manufacture 64K memory-chips. At present Motorola's most powerful micro-processor made in the UK is 16K, produced at East Kilbride.

The company has been looking at sites but East Kilbride would be an obvious [illegible] because, if it does [illegible] proceed, Motorola wants [illegible] in production in 18 months.

Sites would be available in the Lanarkshire new town which also has a plentiful supply of labour. It was [illegible] last week by announcement that record-turntable manufacturer BSR will close its factory there with the loss of 1,700 jobs.

Motorola began manufacturing in East Kilbride in 1970 [illegible] has expanded steadily [illegible] employs 1,200 people in the town.

50 jobs cut

JOSEPH SHAKESPEARE of Old Hill, West Midlands has cut its workforce by 50 after a fall in orders for forgings and fabrications for agricultural tractors. The company employs 250 people.

Falling sales threaten planned MG deal

BY JOHN GRIFFITHS

LEADERS OF BL and the Aston Martin consortium seeking to take over production of MG cars met yesterday amid increasing uncertainty as to whether the consortium will be able to conclude the deal the two sides agreed in principle three months ago.

Aston Martin announced that it was making up to 100 workers redundant over the next two months because of reduced demand for its cars.

Aston Martin's managing director, Mr. John Symonds, admitted yesterday that there were now "fairly critical timing pressures" to conclude the agreement, under which the consortium would continue building MGs at Abingdon and launch a new car in two or three years.

Whether the deal will go ahead now depends almost entirely on the ability of Mr. Alan Curtis, Aston Martin chairman, to secure the lion's share of the financing from Japanese sources, following the withdrawal of intending UK-based investors.

Mr. Curtis is expected to fly to Tokyo on his fund-raising mission at the end of this week.

Yesterday's meeting included Mr. Bratt Thomson, chairman of BL International, who was expected to warn the consortium that BL could not allow it much more time to come up with the money.

The 800 men building MGs at Abingdon are already on a three-day week following the collapse of sales in the U.S., which took 80 per cent of production. Sales are 60 per cent down on last year. Last week BL announced $750 rebates on MGs in a bid to market the many thousands of unsold cars now in the U.S.

BL says it is losing about £900 per car, which at current production rates means a weekly loss approaching £400,000. Before the outline agreement, it was planning to cease MG production at the end of this year, replacing the current MGB with a Triumph TR7-based model carrying the MG badge but made elsewhere.

If the deal with Aston Martin falls through, the "TR" MG will be revived, but the Abingdon workforce will be much worse off than if the deal had never been put forward.

In anticipation of the deal going through, BL decided to move a knocked-down components operation which would have gone to Abingdon—saving nearly 400 jobs—to Cowley instead.

At the same time it was planning to set up Abingdon as a "special vehicles" base, producing Vanden Plas luxury versions of a number of models including the Princess, and sports versions of others.

Between them, the projects would have saved most of the 1,100 jobs at Abingdon (about 300 are engaged in non-MG activities).

Now it is too late: if the consortium deal does not go ahead, Abingdon is expected to close completely. At the same time, BL must be closely examining whether, with months of stocks in America, it could continue to allow Abingdon to operate even until December.

Christie's Lifeholders' £$\frac{3}{4}$m rescue

POLICY-HOLDERS of the failed life company Capital Annuities received £775,000 from the Policyholders Protection Board in the 12 months to March 31 under the board's rescue scheme for them, it was disclosed in the latest accounts of the board. It continued its rescue programme without having to raise money from all other life companies.

The Policyholders' Protection Board was set up to administer working of the 1975 Policyholders Protection Act, guaranteeing that policy-holders receive at least 90 per cent of benefits on their insurance contracts should their insurance company meet financial difficulties.

High-tar smokes 'banished'

No high-tar cigarettes are now on sale in Britain, according to figures published last night by the Department of Health. The figures, based on data collected between April and September last year, show that more than half the brands tested are in low or low-to-middle tar groups.

The statistics clearly reveal that warnings about danger to health from smoking have had some effect.

'Talbot is British'

TALBOT UK, the PSA Peugeot-Citröen subsidiary, launched a campaign to remind businessmen that it was a British company, employing 20,000 directly, affecting jobs of 100,000 more and spending more than £400m with British suppliers of components and materials.

Corby jobs move

WEETABIX, the breakfast cereal manufacturer, is considering opening a plant at Corby, Northants, with employment for nearly 300 people. The company has its main plant about 10 miles away at Burton Latimer, Northants. Corby faces heavy unemployment because of steelworks closures.

Hunt's silver gamble hit Britain's trade balance

BY DAVID MARSH

THE ILL-FATED speculative venture on the international silver markets by the Texas-based Hunt family appears to have been indirectly responsible for almost half of Britain's £1bn trade deficit during the first five months of this year.

Big supplies of silver bullion have been diverted to the London market this year from the U.S. This followed the weakening of confidence on the American silver markets that arose after the introduction of restrictions on trading there earlier this year.

The trading restrictions in the U.S. were introduced after the failure of the attempt to corner the silver market by Hunt, Nelson Bunker Hunt and W. Herbert Hunt, together with their Middle East backers. When the attempt collapsed with the sharp fall in the silver price in the early spring, they were left with debts which at one stage totalled around $1.7bn, almost causing a major financial calamity in the U.S.

Big movements of silver into Britain this year left the UK with a deficit on trade in unwrought and semi-manufactured silver of nearly £400m during the first five months this year, according to latest figures from the Department of Trade. This made up nearly half the total trade deficit, and compared with the roughly balanced position in the silver trade recorded during the past two years.

International investors have clearly been reluctant to leave physical silver stocks in the U.S., Silver futures trading on American markets has fallen sharply since the restrictions were imposed on speculative activity after the Hunt dealings came to light.

Imports of unwrought silver — the main component of silver bullion — into the UK from the U.S. during the first five months surged to 598 tonnes worth £182.1m from only 11 tonnes worth £1.3m during the same period last year.

There have also been large flows of silver — worth over £100m in each case — from West Germany, Belgium/Luxembourg and France, compared with only minimal imports last year. Imports from Dubai — a well-known shipment point for supplies from the Middle East and India — have also increased rapidly.

Total imports of unwrought and semi-manufactured silver rose to 2,091 tonnes worth £741m during the first five months, more than four times the volume and 14 times the value of the same period last year.

A large amount of this silver has been sent to the London market by investors and bullion holders disposing of their stocks. This volume will presumably flow out again later if overseas purchasers elect to move their stocks.

Exports totalled 1,002 tonnes, worth £348m, an increase of 53 per cent in volume, but over five times the value of last years consignments.

About 80 per cent of this years unwrought silver exports have been sent to Switzerland, which has imported 604 tonnes compared with only 32 tonnes at the same stage last year.

This flow of silver to Switzerland, which during the last two years has taken roughly 30 per cent of UK exports of the metal, is also thought to have been connected with the Hunt affair.

Switzerland was used as a staging post for some of the Hunt family's silver transactions, and Swiss banks were named in Congressional testimony as having been involved in the deals.

Versailles curator joins Christie's

CHRISTIE'S announced yesterday that M. Gérald Van der Kemp, for 27 years the curator of Versailles and the man responsible for its recent restoration, will join the company as Président d'Honneur of Christie's Europe.

In spite of the title, M. Van de Kemp will be actively engaged in building up the company's saleroom business on the Continent.

Mr. John Floyd, Christie's chairman, said yesterday: "M. Van de Kemp knows more important owners and collectors than anyone in the world."

Since it is often through personal contact that the really big

SALEROOM

BY ANTONY THORNCROFT

collections come the way of either Christie's, or Sotheby's, his recruitment, at the age of 68, is a major development.

At Christie's in London yesterday sales of Continental porcelain totalled £242,061. Winifred Williams, the London dealer, paid £9,000, plus the 11.5 per cent buyer's premium and VAT, for an early Dupaquier mythological globular teapot and cover (over double the estimate).

Adams, another London dealer, acquired a Meissen Triton sweetmeat dish for £5,200. Two Meissen figures modelled by Kandler and Reinicke sold for £5,000 each, as did and Augustus Rex figure of a parakeet also by Kandler.

At Sotheby's an atlas with maps drawn up to help Cardinal Richelieu to plan an attack on Spain sold for £16,000, while Quaritch, the London dealer, paid £11,000 for four charts drawn by Captain Bligh when in the Bounty's longboat after he was cast off by his mutinous crew. In the miniatures sale, a miniature of 1779, by Richard Crosse of the Duchess of Gloucester and her son made £7,800. In 1964 it had sold for £160.

A 14th-century beaker, 9.9cm high, possibly made in the central Balkans, sold for £16,000 at a Sotheby's glass sale to Zancope, an Italian dealer, who also paid £13,000 for a Venetian armorial diamond-engraved ewer and basin of the late 17th century. Hubner, the German dealer, bought an armorial Stangenglas of around 1580, South German or Venetian, for £15,500, and Zeitz paid £11,500 for a Bohemian enamelled Reichsadler Humpen of 1599.

Stockbrokers face inquiry into alleged breach of rules

BY CHRISTINE MOIR

THE STOCK EXCHANGE is conducting an inquiry into allegations that Hedderwick Stirling Grumbar, stockbrokers, lent gilt-edged stock to Wedd and Owen, the specialist gilts jobber which ceased trading last Tuesday.

Jobbers who find themselves short of stock required for delivery may, under Stock Exchange rules, only from certain designated firms of brokers who act as money brokers. Hedderwick is not a designated money broker.

The hearing into the alleged breach of the rules will take place on July 16.

Mr. Wallis Hunt, the new chairman of Hedderwick, said yesterday that he hoped the inquiry would open and close on the same day.

"I have been vigorously conducting my own inquiry," he said, "and I do not believe that the firm has been lending stock to Wedd and Owen.

"We have dealt with Wedd for a long time and have always found them very efficient," he said. "It is very sad that they have gone out of business."

Wedd and Owen, the oldest jobbing firm, blamed the increasing burden of high bank rates and volatility of the gilts market, and the general economic climate, for their decision to cease trading.

Suspensions

Early this year, Hedderwick was involved in a Stock Exchange inquiry into irregularities in a number of gilts transactions. The findings have been passed to the police, and some members of the firm were reprimanded or suspended from trading for a period. One former employee was expelled from the exchange.

The Stock Exchange rule on borrowing stock is intended to ensure tight control over the amount of stock which jobbers can sell "short"—a tradition by which they offer to sell shares they do not own in the hope of acquiring them later at a lower price.

A more informal form of borrowing generally from brokers other than the designated money brokers is permitted under the rules. In cases where a jobber wishes to raise money from its bankers but finds itself short of stock to use as collateral, it may arrange with a broker to borrow stock on terms arranged between them.

Mr. Hunt said yesterday it was possible that Hedderwick had left stock to its order overnight with Wedd and Owen on occasion. "That was a very different thing from lending stock."

Mr. Hunt took over as chairman of Hedderwick this morning. He succeeds Mr. Ralph Hedderwick who retired yesterday, as announced early this year.

Andrea, 15, ends Virginia Wade's run

JOHN BARRETT AT WIMBLEDON

A COMBINATION of the rankings computer and the quirk of the draw contrived to offer a fascinating series of encounters between youth and experience in yesterday's fourth round of the women's singles at Wimbledon.

Afterwards, when the smoke of battle had cleared and the places for the quarter-finals were sorted out, it could fairly be said that if youth had, in a couple of instances, had its fling, experience had also certainly proved its worth.

Andrea Jaeger is the prime example of youth on display at Wimbledon this year. Just 15, she is the youngest ever seeded at the tournament. How thoroughly she had merited that rating was made apparent as she put out Britain's last survivor and the No. 7 seed, Virginia Wade, 6—2, 7—6 in an error-riddled but constantly fascinating match which lasted an hour and 39 minutes on Centre Court.

Neither player was consistent on service and Miss Wade said afterwards that her delivery was appalling. In addition, she was tortured by Miss Jaeger's cunningly flighted lobs and astonishingly accurate ground strokes, which time and again fell inches in or sent the chalk spurting.

Having made the mistake early on of staying back and being out-rallied, Virginia changed tactics and began to attack the net. Though this forced her opponent into hurried strokes it did not noticeably affect her ability to strike winners or to play with total confidence, and she took the first set comfortably in 28 minutes.

After an early exchange of service breaks, most of the games in the second set went to deuce, not once but several times, as the balance tilted first one way and then the other.

The fifth game was crucial for Miss Wade. She dug herself into a pit with two double-faults but prevailed after saving four break-points, and then captured serve to lead 4—2. She squandered two points for 5—2, but the little American broke back, only to lose her service for the third time in the set to trail 3—5.

Serving to make it set-all proved beyond the British woman, however, and after another exchange of breaks the set moved into a tie-break in which, after winning the opening point, Virginia slipped further and further behind. Miss Jaeger reached match-point with a delightful forehand pass as Miss Wade stormed the net, and then won a notable victory with a backhand volley.

Afterwards she termed it her best win, pointing out "It isn't all the time you can beat Virginia Wade on Centre Court at Wimbledon."

Tracy Austin, the 17-year-old second seed, was serenely on course against another American, Terry Holladay, needing only 69 minutes to wrap up a 6—2 6—3 victory. Hard though she tried, Miss Holladay could not recover from losing the first five games.

The story was not such a bright one for 17-year-old Pam Shriver and 18-year-old Hana Mandlikova. Miss Shriver, now fully fit after shoulder trouble, had a match-point against 36-year-old six-time champion Billie-Jean King before being beaten 5—7, 7—6, 10—8. The Czech Miss Mandlikova once more revealed a disconcerting flaw in her game, throwing away a lead of one set and 3—1 by losing ten successive games to Evonne Cawley, the No. 4 seed, and going out 6—7, 6—3, 6—1.

The King-Shriver clash was the outstanding women's match of the day, with the unreliable bounces of Court Two making it even more tense. The tall Miss Shriver broke in the eleventh game to snatch the opening set, and wasted a match-point at 5—4 in the second, when she put out a volley.

Mrs. King extended the set to a tie-break which she took 7—5, and though Miss Shriver 4—2 and 40—love in the final set, she was never able to wear down her gritty opponent. Eventually her own game faltered, she was broken to go behind 8—9 and her challenge was over.

Defending champion Martina Navratilova overcame an uncertain start, in which she lost the first two games, to defeat Kathy Jordan another tall American teenager, 6—4, 6—2, and Chris Evert Lloyd, who has not been beaten since resuming her career after a three-month break at the beginning of the year and who has not yet dropped a set at Wimbledon, put out another American Joanne Russell 6—3, 6—2, a victory which was as comfortable as it sounds.

Trjt?gnS "(an2d4toce, ah for

Only three of the scheduled eight men's fourth round matches could be completed before heavy rain washed out play for the day. No. 4 seed Roscoe Tanner (U.S.) ended the ambitions of California's Nick Saviano 7—6, 3—6, 6—3, 6—4, and two more Americans, Brian Gottfried and Gene Mayer ended Australian interests Gottfried with a 6—1, 6—2, 6—2 win over Phil Dent. The 35-year-old Colin Dibley ran out of steam against Mayer, who won 3—6, 7—5, 4—6, 6—1, 6—2.

Edwards attacked on possible further BSC closures in Wales

BY IVOR OWEN

AREAS HARDEST hit by steel closures are the primary locations for the bulk of a major new programme of advance factories—covering over 690,000 square feet—to be undertaken by the Welsh Development Agency.

Details were announced by Mr. Nicholas Edwards, the Welsh Secretary, in the Commons yesterday when he came under sustained attack from Labour MPs for failing to give an assurance that he will oppose any further contraction of British Steel Corporation plants in Wales.

He refused to commit himself in advance of the assessment to be made by Mr. Ian MacGregor, who takes over as BSC chairman today.

The Minister also came under fire from the Opposition benches for the fact that when he appeared before the Welsh Select Committee on June 10, he did not mention the letter written on June 6 by Sir Charles Villiers, the retiring chairman, which led to the Cabinet being alerted that without further Government guarantees BSC would have to go into liquidation.

Mr. Edwards explained that over half of the new 600,000 square feet advance factory programme is to be centred on the steel closure areas.

In North Wales 140,000 square feet of factory space will go to the Deeside industrial park, 50,000 square feet to Wrexham and 30,00 square feet to Bagillt.

EDWARDS: refused to commit himself

The programme for South Wales comprises 50,000 square feet of advance factory space for Ebbw Vale, 50,000 for Newport and 35,000 square feet for Cardiff.

Mr. Edward told MPs that the remainder would represent a very substantial start of the WDA's fifth advance factory programme outside the steel closure areas.

The agency, which would finance the new programme from within its existing cash limits, will also resume its land reclamation programme.

To Opposition cheers, Mr. Ted Rowlands (Lab., Merthyr Tydfil) warned that no advance factory programme would be able to cope with the consequences of further steel plant closures in Wales.

He demanded an assurance from the Minister that he would not endorse any further closure proposals submitted by BSC. Mr. Edwards replied that the new chairman did not take office until today and insisted: "I am quite unable to comment on plans which have not yet been presented."

Mr. Leo Abse (Lab. Pontypool), who is chairman of the Select Committee on Welsh Affairs, repeatedly challenged the Minister to say whether he had ben aware of the "liquidation" warning given by BSC when he appeared before the committee on June 10.

Was Mr. Edwards being treated as "a whpping boy" or as a subordinate Minister who was told nothing in the Cabinet? he asked.

In any event, said Mr. Abse, the Minister should give a guarantee that if further contraction were to be proposed at Llanwern he would maintain the dignity of his office by doing what Wales would expect him to do and resign.

Mr. Edwards retorted that it was quite clear from the evidence given to the Select Committee that the current circumstances of BSC were extremely serious.

But he argued that the House of Commons itself was the right place for the "liquidation" warning to have been disclosed—and it was disclosed last Thursday by Sir Keith Joseph, the Industry Secretary, to whom the warning had been addressed.

As for the future, Mr. Edwards would only say that the market for BSC was "deteriorating very seriously."

From the Opposition front bench, Mr. Alan Williams (Lab, Swansea W.) stressed that if Mr. Edwards were to fail to save the BSC plants at either Llanwern or Port Talbot, the whole of Wales would expect his resignation.

Amid Tory cheers, Mr. Edwards retorted that he was not prepared to accept that only Labour MPs were concerned about the position of the steel industry in Wales.

"If they had been concerned they would not have encouraged the strike which has done so much damage to BSC," he declared.

● Mr. Ian MacGregor is threatened with a picket by members of Plai Cymru, the Welsh Nationalist Party, when he arrives at BSC's London headquarters to begin his term of office as chairman today.

The party is urging Mr. MacGregor not to give in to what it fears may be political pressure to impose more cuts on the Welsh steel industry.

MPs seek talks with MacGregor

By Robin Reeves, Welsh Correspondent

WEEKEND SPECULATION that Mr. Ian MacGregor, BSC's incoming chairman, is already contemplating the outright closure of either Port Talbot or Llanwern, with a further 5,000 direct redundancies, has produced an outcry.

Mr. Roy Hughes, MP for Newport and chairman of Labour's steel group, announced he was seeking an urgent meeting with Mr. MacGregor for local MPs to clear up the confusion over the future of the industry. Mr. John Morris, MP for Port Talbot, said it was all very well for the corporation to describe the closure report as speculative. The speculation would continue until the situation was resolved.

Mr. John Foley, the Iron and Steel Trades Confederation regional officer, said a further closure, would be suicidal. It would mean handing the order to BSC's competitors.

The strongest comment, however, came from the Cardiff-based, Western Mail newspaper. For the first time for more than a decade, it yesterday ran a thundering editorial on its front page and demanded Government intervention against further closures.

Normaly a strong supporter of Conservative policies, it warned that the Government was in danger of being misled into believing that, because the rundown of the Welsh steel industry—over 20,000 jobs are disappearing this year—had so far been accepted with relative equanimity, this would continue to be the case.

This was a punishing rate of industrial decline, which could not be kept up, it said. The social and political fabric of Wales will not stand it. The Government should not stand for it, the editorial declared.

Meanwhile, Plaid Cymru claimed to have seen internal BSC accounts showing Llanwern—thought the more likely of the two works to be axed in any cutback—made a profit of £1.5m in the first 13 weeks since the steel strike ended. It compared with a £4.5m loss at Port Talbot over the same period, and a loss of £7.5m at Ravenscraig in Scotland. Mr. Dafydd Williams, Plaid's general secretary, said.

Under BSC's retrenchment programme, Ravenscraig is being given preference in the shareout of the order book for sheet steel.

Mr. Winston Churchill received instructions from Captain Micky Munn yesterday as a group of 19 MPs undertook a course with the Army's crack parachute team, The Red Devils. He made a jump from 2,500 ft over Aldershot

Planning Bill under backbench criticism

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT'S Local Government Bill is coming under fire from Tory backbenchers as it reaches its report stage this week.

A group of Conservative MPs headed by Mr. Geoffrey Rippon, one of the Government's most persistent critics on its own side, have put down a motion criticising the key block grant provisions in the Bill.

A total of 29 Tories have so far signed the motion which urges the Government to consider the amendments to the Bill's financial provisions put forward by the local authority associations.

By no means all the MPs who have signed the motion could be expected to vote against it—though Mr. Rippon has already indicated he might and some of the sponsors of the motion were yesterday threatening to do the same.

But the motion does reflect the pressure on Tory MPs to remind the Government just how strongly Conservative local authorities feel about what they see as a threat to their independence.

The Bill has been attacked by local authority organisations since its inception and may face further criticism when it goes to the Lords where many former Conservative councillors now sit.

Moves to penalise overspending councils may also be attacked by some of those Tory MPs who have signed the Commons motion.

The Government has put down a number of amendments of its own to the Bill to be debated at the report stage. But these seem unlikely to satisfy all those who have signed the early day motion. At least one Tory MP has put his name to one of the Opposition's main amendments.

Monetary policy defended

By Peter Riddell, Economics Correspondent

BEWILDERMENT and incomprehension resulted yesterday when Parliamentary sceptics about the workability of the Government's reliance on monetary policy came face to face with a true believer whose firmness of faith might occasionally raise doubts even among Treasury Ministers.

Professor Patrick Minford of Liverpool University gave evidence to the all-party Treasury and Civil Service Committee of the Commons at the start of the series of public hearings which it is holding on the conduct of monetary policy between now and the end of July.

Professor Minford provided an eloquent defence of the need to publish medium-term monetary targets in order to influence the attitudes of pay bargainers and others operating in the economy.

He said that the key task was for these people to accept the credibility of the targets. Then it should be possible to reduce inflation without unnecessary loss of output or jobs.

Professor Minford said that mistakes such as higher unemployment would occur if participants in the economy such as pay bargainers did not have full information about the Government's intentions.

That was why it was necessary for opinion formers such as MPs on the committee to convince the public that there would be no U-turn in economic policy.

Prof. Minford's comments were received with evident scepticism by some members of the committee including various Tory MPs.

In particular, Mr. Kenneth Baker, a minister in the Heath Administration, strongly questioned Prof. Minford's theories on the basis of his forecasting record. Mr. Baker questioned whether the Professor had been too optimistic earlier this year about the prospects for the economy.

Prof. Minford said that expectations about output had been revised downwards since March because of the world recession, but he said forecasts as such should not determine the acceptability or otherwise of his theory.

Prof. Minford said he expected that total output in the UK would fall by three quarters of a per cent this year compared with 1979 and that unemployment would rise to one and three quarter million by the end of this year

BRITISH AIRWAYS LTD.—TEBBIT REJECTS DEMANDS

Decision on directors 'outrageous'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

DEMANDS THAT at least two non-executive directors should be appointed to represent the Government's interests on the Board of British Airways Ltd. were rejected last night by Mr. Norman Tebbit, Under Secretary for Trade.

The limited company will be the successor to British Airways, once 49 per cent of the shares in the State corporation are sold off to the private sector as envisaged in the Civil Aviation Bill.

Speaking during the report stage of the Bill in the Commons last night, Mr. John Smith, Labour's spokesman on trade, said it was "monstrous and outrageous" that the Government should appoint no directors to the Board even though it would have 51 per cent of the shares in the company.

But a Labour amendment to appoint the two directors was defeated by a Government majority of 59 (285-226).

A Conservative MP, Mr. Robert McCrindle (Brentwood and Ongar) also argued that the State should appoint two non-executive directors so long as the Government held at least 50 per cent of the shares.

He emphasised, however, that unlike the Labour Party, he agreed with the Bill and was in favour of introducing private capital.

Mr. Tebbit told the house that it would not be appropriate for the Government to appoint directors to the company when it had not committed itself to retain a majority of the shares "forever."

"Such a proposition would be viewed by other investors as an unacceptable privilege attaching to one shareholder," he declared.

"It could give the impression that the successor company was the creature of the Government and that its activities might be influenced by the Government against the interests of the company."

He stressed that the Government would be prepared to veto the nomination of any directors whom it thought were undesirable.

Mr. Tebbit was pressed to say whether the Government would definitely hold on to its 51 per cent or whether it would dispose of all its shares eventually.

He replied: "If one is going to have a Government which is going to have anything to do with commerce, it must shape its policies in accordance with the circumstances of the day. These circumstances cannot be set out on a tablet of stone as if they are there forever."

It was the Government's policy to hold on to 51 per cent of the shares—"but that policy is not guaranteed by me or any of my colleagues to continue indefinitely into the future."

From the Opposition front bench, Mr. Smith described it as "a very dangerous and foolish Bill." He said it was still not clear what proportion of the shares the Government really intended to sell or retain.

He believed there were grave doubts as to whether the Government intended to carry out the exercise at all. The state of the market was so poor that if the shares were sold in the near future it would be a gross undervaluation.

It was a "startling proposition that the Government was not going to have any directors. This meant that the real control of the company would be in private hands even though the private investors only had a minority shareholding.

From the Conservative backbenches, Mr. McCrindle maintained that it would be quite wrong to allow a situation where the Government, as majority shareholders, had no representation on the board.

He reminded the Minister that it was not a de-nationalisation Bill. The idea was to inject an element of private capital into the new company.

Banks firm on cash for supporting arts

BY IVOR OWEN

LEADERS OF the five clearing banks have made it clear that the level of their spending in support of the arts will be determined by the forces of competition and not "Government arm twisting."

This emerged in the Commons yesterday when Mr. Norman St. John-Stevas, Minister for the Arts, was asked to make a statement on his discussions with leading figures in the City on the financing of the arts.

He described a report that he had asked the clearing banks for £500m as "otally incorrect."

Mr. St. John-Stevas told the House that he had discussions with the chairmen of the five London clearing banks about increasing their sponsorship.

The possibility of setting up a Clearing Banks Foundation for the Arts with an endowment, the income from which could be used to provide support for artistic events, had been among the matters discussed.

Mr. St. John-Stevas stated: "The banks assured me that they are already spending large sums on support for the arts, that they were planning to increase their efforts, but that it was important to them, as competitive enterprises, to decide for themselves how they used their money."

He described the discussions as "very useful" in clarifying the position of the clearing banks and enabling him to explain the Government's policy of encouraging an increase in private sector support for the arts.

Mr. Tam Dalyell (Lab. West-lothian) maintained that the banks should be prepared to devote more money to the arts in view of the level of profits available to them at the present time.

He suggested that the Minister should tell them that if they did not make more money available they should be prepared to submit themselves to the kind of taxation borne by the oil companies through the Petroleum Revenue Tax.

Mr. St. John-Stevas assured Mr. Dalyell that he had been satisfied that the banks were in fact making a considerable contribution to the arts. The talks had confirmed that the banks would continue to provide material assistance and this had made his approach very well worthwhile.

UK NEWS — LABOUR

NUR hint of accepting pay restraint under Labour

BY PHILIP BASSETT, LABOUR STAFF

FIRM INDICATIONS that the National Union of Railwaymen would be prepared to accept a period of wage restraint as part of a future Labour government's planned incomes policy were held out yesterday by Mr. Sid Weighell, the union's general secretary.

The acknoledgment follows a similar indication last week from leaders of the Confederation of Shipbuilding and Engineering Unions that a new would be acceptable.
social contract with Labour

Mr. Weighell has for long been a strong supporter of the idea of a planned incomes policy under Labour. Yesterday he went further when he said: "It may be I would go so far as to say it must be—that in the short- to medium-term considerable restraint will be required in the wages field."

He made it clear, though, that to secure union agreement to wage restraint, any planned incomes policy would have to include rigorous price cotrol, and tht an incomes policy could be tolerated only if it was seen to be shared equally.

It would have to apply to the private as well as the public sector. Mr. Weighell emphasised that "a positive contribution on the part of the trade unions will be essential" to any pay restraint.

He persuaded delegates at NUR's annual conference in Guernsey to accept a motion committing the union to a joint programme with Labour on economic policy, including an incomes policy.

The perils of even a Labour Government defying union wishes on pay were stressed by Mr. Peter Snape, MP, secretary of the NUR's 11-strong Parliamentary group, who admitted that the last Labour Government had been stupid in trying to press home a limit of 5 per cent as the final round of its incomes policy.

Mr. Alun Rees, the NUR president, said the trade unionists would not fall into line with Ministerial hopes of pay settlements being struck at a level below the inflation rate.

"If Mrs. Thatcher thinks she can shove up living costs to over 20 per cent and then expect unions in the public sector to meekly accept wage increases of 14 per cent or less, she's living in a dream world."

The conference is likely to debate motions on the Labour Party's constitutional issues today on reselection of MPs. The union seems likely to continue to support the status quo.

Mr. Rees said proposals to allow private capital into the railway industry were its biggest threat since the Beeching cuts in the early 1960s.

Move to rationalise bonuses

By John Lloyd, Labour Correspondent

TALKS HAVE begun between thermal insulation contractors and two major unions in an attempt to rationalise bonus payments in large construction sites.

Mr. Charles Allen, director of the Thermal Insulation Contractors' Association (TICA) told the Commons select committee on energy yesterday that the association had begun negotiations with the GMWU and TGWU—who organise thermal insulation engineers, or laggers—in an effort to harmonise bonus rates and piecework rates, and to avoid the laggers' high bonuses.

Mr. Allen was answering questions about the Isle of Grain power station site.

He said the association would be willing to join talks on a national site agreement now being conducted between contractors, clients and unions within the construction engineering Economic Development Committee.

TICA and its unions had previously been excluded from these talks.

The committee's chairman, Mr. Edward Ledbitter, said that one object of the inquiry was to "get away from the mundane problems of what employees do and do not want and get down to the problem of why senior people in the industry will not be blunt and frank about their relationships."

● DALGETY-SPILLERS is shedding a further 355 jobs and closing its Millennium feed mill at the Royal Victoria Dock, London.

The redundancies, of which the company's unions were informed at the weekend, follow a programme of four mill closures, announced in March with the loss of 373 jobs by next year.

Dalgety gained control of Spillers in November last year and has since embarked on rationalising the two companies' agricultural operation.

Mr. Roger Ward, a divisional officer of the Association of Scientific, Technical and Managerial Staffs, which, with the Transport and General Workers Union is most affected by the redundancies, said the union had opposed the take-over because it knew that redundancies would follow.

● THE BBC musicians strike entered its fifth week yesterday after a peace initiative under the ACAS umbrella failed. The Musicians are striking in protest at BBC plans to axe five of its 11 house orchestras as part of its economy plans. The dispute threatens the Proms season later in the summer.

'Kilkenny cats' gibe on Labour row

BY OUR LABOUR STAFF

MORE FUEL was added to the flames of the internal Labour Party battle yesterday by Sir John Boyd, Right-wing general secretary of the Amalgamated Union of Engineering Workers.

He said that no electorate would vote into power a party whose leaders "appear to be constantly fighting each other like Kilkenny cats."

In an editorial in the AUEW journal he says that any party in the wake of an electoral defeat is entitled to look for reasons for its defeat.

"But I believe that the British electorate votes on a particular party's reputation and policy, not on its constitution. This is the province of the pseudo-intellectual and academic student, not the man and woman who has to earn his or her living or keep a family."

Calling the party's commission of inquiry a "repentance committee for guilty sinners," he adds:

"What I am concerned about, however, is that the only outcome will be unnecessary proposals which will continue the unhelpful internal struggles, causing perhaps irreparable electoral damage to the Labour Party and encouraging further parasitical campaigns to start a new socialist party, which is an even more unnecessary, reactionary and damaging line to pursue."

Under the influence of Sir John and Mr. Terry Duffy, the AUEW's president, the union has changed tack on the constitutional reforms debated at last year's Labour Party conference, and is set to put its block vote of over 800,000 behind the Right wing at the party conference in the autumn.

● Senior officials of the National Union of Railwaymen cast doubt yesterday on likelihood of return of a Labour Government at the next General Election if the party's present constitutional difficulties were not effectively resolved.

The union's annual conference in Guernsey reaffirmed its commitment to return of a Labour Government, but Sid Weighell, general secretary, warned that the next election was not a foregone conclusion. "The longer the Labour Party goes on fighting itself rather than the Tories, the less likely we are to win the victory."

BL talks, Page 10

BL market share slips to lowest-ever level

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL HAS no lay-offs planned though its current car market share has slipped to the lowest-ever level, union leaders will be told by chairman Sir Michael Edwardes this week.

The group's car stocks are down to between 78,000 and 80,000 — roughly two and a-half months' supply — and BL does not intend to reduce them further.

Lay-offs earlier this year reduced car stocks from 130,000 in February.

Current stocks include 7,500 of the new Morris Ital, the Marina replacement, to be launched tomorrow. This launch should help give BL's market share a boost in July.

These statistics and others will be included in a "business briefing" Sir Michael intends to give for Mr. Moss Evans, TGWU general secretary, and Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers.

These are the two largest union groupings in BL.

The meeting, either tomorrow or Thursday, follows Mr. Duffy's call last week for urgent talks after he heard that BL's market share had slipped below 15 per cent.

Mr. Duffy had hoped to involve Mr. John Nott, the Trade Secretary, in three-sided discussions but the meting with Mr. Nott will take place later.

Mr. Duffy requested the talks because of what he described as the increasing threat to BL from car importers, particularly the Japanese.

Almost inevitably, the meeting between Sir Michael and the union leaders will be seen by many as a "Japanese-bashing" session.

BL is certainly concerned about the level of Japanese market share in the past three months (it reached nearly 14 per cent in June), about the level of shipments of cars from Japan (also up 14 per cent in May when compared with the same month last year) and the high stocks of Japanese cars in the UK.

But the discussions will cover much wider territory, in line with Sir Michael's pledge to the Confederation of Shipbuilding and Engineering Unions that it would be kept up-to-date on BL's progress.

TGWU attacks the Transport Bill

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE Transport and General Workers' Union has launched a national campaign against the Transport Bill due to become law later this year.

The union has also rejected claims by Sir Horace Cutler, the leader of the Greater London Council, that it has reneged on productivity agreements. The union blamed political incompetence for the faults of London Transport and of other public transport authorities.

The TGWU, which has around 140,000 members directly employed in public transport and a further 100,000 indirectly employed in the sector, says that the Bill will:

- destroy rural bus services
- end subsidisation for unprofitable routes
- abolish safety controls
- not guarantee a regular service
- exploit low wage labour.

Mr. Larry Smith, the union's executive officer, said yesterday that the Bill was a licence for "cowboy operators" — unlicensed minicab and minibus drivers—to cream off the profitable routes and destroy the public transport network.

Mr. Smith angrily rejected GLC claims that the union had prevented the adoption of one-man-bus operations throughout London.

He said that the London Transport Executive had itself frozen further progress towards one-man buses last March because of complaints of traffic delays from the police and the GLC traffic department.

The union's campaign will take the form of locally organised "days of action" which will not include industrial action, but may include demonstrations.

The TGWU has produced 500,000 broadsheets outlining the Bill's potential effects, and is to organise a national petition, with a million signatures, to be presented to Mr. Norman Fowler, the Transport Minister, at the beginning of the next session of Parliament.

The first day of action will be today in London and the South-East. Union officials will collect signatures and distribute the broadsheet at Victoria Station in London, and in Brighton and Chelmsford.

Mr. Bill Morris, the national secretary of the union's passenger services group, said that the campaign was not simply to safeguard members' jobs, but to represent the interests of transport users, who would be the worst hit by the measure.

Mr. Morris said it was ironical that the Bill was attempting to repeat U.S. experience although U.S. public authorities were now spending "billions of dollars in trying to re-create public transport services."

Mr. Smith said that other European countries subsidised their capital city's transport to between 60 and 80 per cent of cost, while London Transport received only between 20 and 30 per cent.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Big private network will cut costs

WHAT IS believed by the company to be the biggest private communications network in Europe has been formally opened by Grand Metropolitan Telecommunications, set up in 1977 by the group to develop the project.

The scheme, which cost about £1m, is based upon the Plessey stored program electronic switching equipment supplied by Telephone Rentals and will on completion connect over 100 locations in many parts of the UK. It is expected to save at least 30 per cent in running costs compared with use of the Post Office public network.

Able to carry all forms of traffic—voice, telex, facsimile and data—the network will link for example, the dozen sites of Watney Mann and Truman with 35 or so of Express Dairy company, while all will be able to contact various headquarter establishments by dialing direct.

Except for a few manual exchanges, the user has only to dial "7" to get into the network, which utilises lines permanently leased from the Post Office, followed by a two or three digit number.

In all, some two dozen Grand Met. companies will be connected together by the scheme via four switching centres at London, Birmingham, Manchester and Frome.

The network is one outcome of inter-company planning since 1975 aimed at finding common ground for economies, not only in communications, but also energy, printing, postage and security.

Grand Metropolitan Telecommunications is at The Penthouse, 25a Young Street, London W8 5HS (01-937 9861).

● COMPUTERS

System can be expanded

M80/31 is a new computer from Magnuson that offers up to 20 per cent more computing power than an IBM 4331 Group II for approximately 20 per cent less cost, according to its designer.

Delivery schedules are 30 days from receipt of order.

Magnuson provides full support for DOS and DOS/VS, which IBM no longer supports, and all releases of VSI and VM370.

The M80/31, like all Magnuson systems, can be expanded in convenient increments, and can be upgraded in the field without replacing the existing Magnuson system. A standard M80/31 comes with 1m bytes of main memory and can be expanded to 8m bytes—twice the capacity of the 4331 Group II—in 1m byte increments. Also standard on the M80/31 are a byte channel with a capacity of up to 500,000 bytes per second, and two block channels with a 2.5m byte-per-second capacity. Three additional channels of any mix are available as options.

Meanwhile, Magnuson has gone public in the U.S. and its shares have been taken up at around 25 per cent better than the initially quoted price of $18.

Further from the company at Cedar Court, 9 Fairmile, Henley-on-Thames. 04912 78159.

● PERIPHERALS

Equipment off the shelf

IT IS now well over two years since Britain's first computer equipment wholesaler was launched with the policy to market on a wholesale basis to users whose technical skills make them discerning buyers.

Shipments of over £1m in the company's second year of operation demonstrate the success of its strategy, says X-Data, Marish Wharf, St. Mary's Road, Langley, Slough (Slough 49117).

Because its customers are generally highly skilled and self-sufficient, expensive field sales and support overheads are obviated. The company set out to give good value for money with an aggressive discount policy, and to this end has kept overheads down to about 10 per cent of revenue by supplying depot-based warranty and service facilities.

All equipment (mostly from Japan and the U.S.) is checked out before despatch at the Slough depot which includes five computer-controlled test lines.

The company has now set its sights on a £2.5m turnover for this current year and new products to be announced later in 1980 include a family of VDUs adding another well-known name to current suppliers like Oki Electric, Oki Data and Remex.

● METALWORKING

New blanking process announced

ONE OF the oldest Livery Companies in the City of London, the Worshipful Company of Goldsmiths, has a progressive technical department which is about to publish details of a new blanking process.

Though the company is primarily concerned with jewellery and silversmithing it believes the new process to have important applications in all forms of sheet metalwork as well as in plastics and paper.

It is so cheap and simple that in the words of one jewellery manufacturer "tooling charges can be ignored in costing new production lines." The process was invented by Roger Taylor, a jewellery designer and craftsman who has agreed that the Goldsmiths' Company should offer it to other craftsmen and manufacturers in Britain.

This new technique does not require the skills of a toolmaker, and can be operated by any reasonably skilled craftsman or handyman. Although conventional presses can be used, an ordinary vice or even hammer blows will produce complex shapes from sheet material. The overall size of blanks is governed by the shear-strength of the stock and the press power available, but the process has been tested successfully on gold and silver alloy stock up to 2.0 mm thick.

Details of this process are contained in a detailed and illustrated report to be published by the Goldsmiths' Company on July 31. Purchase of the report entitles the buyer to operate the process (which is subject to patent application) though it is hoped that all potential users will keep the information confidential.

The report costs £12, to cover printing and postage costs as well as allowing Roger Taylor to recoup his considerable development costs and receive a reasonable return for the disclosure of his invention.

Peter Gainsbury, director of research at Goldsmiths' Hall, says that if only one tool is made and a dozen blanks are produced, then the cost of the report will have been saved—and probably many times over if the shape is at all complex.

Copies from the Technical Department at Goldsmiths' Hall, Foster Lane, London EC2V 6BN.

● SAFETY

Early warning of gas and fire hazards

AFTER a 10-year programme of oil/gas platform safety system design with the emphasis on hard-wired logic and lamp-mimic displays, GP-Elliott Electronic Systems of Wimbledon believes it is well on the way to convincing the industry of the reliability of microprocessor-based systems and has landed a £0.75m contract with BP Petroleum Development for a system for the Magnus field.

Detection of gas and fire on production or drilling platforms and automatic shut-down are vital matters: the company quoted one case in the Gulf of Mexico where the drill hit a gas pocket and within a very short time the structure was enveloped in flames after a spontaneous ignition, after which it collapsed due to the heat.

The company's latest system, MFG33, gets rid of the numerous mimic display panels that show the status of alarms in all parts of the structure, replacing them with three or four CRT displays on which diagrams of any level can be brought on to the screen, with the ability to "home in" on selected areas.

Making use of three Intel microprocessors in a "two out of three" voting system for very high integrity, the equipment is a "first" in this area for Britain and also incorporates bubble memory. A useful bonus is that volume and weight of the equipment have been reduced by 50 per cent, in line with the constant requirement to keep down topside weight on platforms.

Essentially the MFG33 provides early warning of a fire or gas hazard, its locality and the state of the automatic fire fighting equipment. A network of detectors and manually operated alarm points sends hazard data to the computers and in defined circumstances extinguishant release and shutdown initiation will be automatic. Every effort has been made to avoid costly false alarms and the equipment is self-diagnostic: if an electronic fault occurs the operator will be immediately told which printed board to replace.

In addition, the operator can see a problem by means of red flashing points on the screen and take suitable actions. In an emergency relevant diagrams will immediately be displayed.

Also available on one of the screens however, is trend data, so that for example, where sensors are measuring gas levels the operator can see at what rate lower explosive limit is being reached or where, perhaps, a pocket of gas is moving. The data is shown in histogram form and the bars are coloured according to alarm levels that have been set as percentage of LEL.

In addition the console has a built-in printer so that post-event investigations become simple.

One outcome of the development by GP-Elliott is that the company now has to hand the basis of an advanced electronic system which, with input/output changes and revised software could be used for process control. Although attention is currently focussed on the oil/gas platform market, there is a stated intention to seek business in process control fairly soon.

GEOFFREY CHARLISH

Indicates the degree of tilt

INVENTED IN Britain is a novel inclinometer whose mechanical unit is a patented double pendulum device which can move freely in whatever direction the crane, or structure to which the inclinometer is attached, tilts up to 14 degrees from the vertical.

A light-emitting diode (LED) on top of the pendulum moves against a calibrated screen to show the angle and direction of tilt. This gives the operator a clear and accurate indication of the degree of tilt (accurate to within 0.5 of a degree) and has the additional advantage over the conventional spirit-level indicator that it moves towards the low side of the structure rather than away from it and is therefore easier to interpret.

When levelling the crane or structure before use, a roving light spot, pointing to the low side of the structure, indicates the outrigger or pair of outriggers which should be raised. The operator thus starts with the crane or structure in its lowest position and levels it up, keeping the centre of gravity as low as possible at all times: a much safer procedure than starting off with the outriggers fully extended then levelling down, as is generally the common practice with cranes fitted with conventional spirit levels.

Constructed with a heavy-duty cast aluminium body for robustness, the unit is filled with a viscous fluid to damp down the effects of vibration on the pendulum so that it will register accurately and also provide flooded lubrication of a 12 or 24 volt dc electricity supply.

Other models incorporate an alarm system controlled by an additional LED attached to the lower pendulum, which activates a photo-sensitive cell when safe limits are exceeded. The audible warning is particularly important in larger cranes and equipment where the operator has many other demands on his attention and cannot continually monitor the screen visually. The units are made to suit the precise stability rating of each structure and can take into account the fact that, for example, it may be more stable over the front and rear than over the sides.

Simpler models in the range just sound an alarm and give no visual indication. They are suitable for use in heavy plant, such as excavators, where there is no need to level up before use and where the equipment can operate safely within the permissible angles of tilt and where the operator can see the direction of tilt for himself. These can be provided to cope with a greater degree of tilt—up to 50 degrees.

For use in situations where the operator must keep his eyes on what is happening outside the cab, and also have visual observation of the inclinometer, two "head-up" models are available for mounting externally. They are sealed to withstand weathering and have a vertical rather than a horizontal screen.

For remote sensing and indication coupled with greater accuracy, there is a range of electronic inclinometers with separate sensors indicating units. They make it possible, for example, to monitor the levelness of a drilling platform on the sea bed or a tunnelling machine up to several miles away.

Strawson Hydraulics, 277 Glossop Road, Sheffield S10 2HB. 0742 79721.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

● MATERIALS

Will aid insulation of buildings

TAC Construction Materials has a range of asbestos-cement internal lining products, Tacliners. Designed for use as part of insulated double cladding systems for all types of industrial and agricultural buildings, it is maintenance-free and has a minimum life expectancy of 40 years while being cheaper than conventional plasterboard methods.

Combining 60 mm mineral wool mat, spacer battens and lining panels the Tacliner range also incorporates timber battens of 38 x 19 mm. Optional asbestos-cement battens are also available where non-combustible properties are specifically required in compliance with building regulations. On-site fixing costs are minimised, as there is no requirement for additional supporting frames or tees.

The Tacliner range offers a U value of 0.6 W per square metre and is dimensionally co-ordinated to match TAC's Big-six and Doublesix M profiles as well as the recently introduced group of Metaclad products. Available in a series of finishes and suitable for both roofs and walls, the range is rot and vermin proof and is resistant to high humidity without warping or sagging.

TAC Construction Materials is at PO Box 22, Trafford Park, Manchester M17 1RU. Tel.: 061-872 2181.

Can be used in place of asbestos

CIRCULAR flexible cords made from texturised glassfibre yarn are capable of continuous operation at temperatures up to 400 deg. C and particularly suitable for the replacement of round asbestos ropes and braids used in static sealing applications.

These new materials, which are available in 6 mm, 9 mm and 12 mm diameters, are supplied in reel form with special coatings on them to provide non-fray finishes and high-abrasion resistance.

Marseal 800 products have a solid, dense construction which gives good sealing properties.

Further from Marling Insulations, Tean, Stoke-on-Trent, ST10 4EA. 053 85 2265.

● HAND TOOLS

Easier to get the top off

EASING bottle tops, jar lids, pipe joints and similar difficult closures can be done with a new tool from Peter Tilling Marketing, a subsidiary of Peter Tilling Plastics), of Wembley, Middlesex. Two Du Pont products, Delrin acetal resin engineering plastic and Kevlar aramid fibre, are the materials of construction.

The Handi-Grip (for the consumer market) or Flexi-Wrench (for trade and DIY customers) consists of a split moulding in Delrin 570 glass-filled acetal through which is threaded an 8 mm wide strap of woven Kevlar, impregnated with nitrile rubber. The strap emerges at the head of the tool in a loop which is placed over the closure to be eased, then pulled tight to enable the lid or top to be loosened.

Alternatively, the moulding can be separated so that the strap is passed round a pipe joint for example, then re-united, tightened and the joint loosened in the same way.

The tool is in fact a tape wrench, as opposed to a traditional chain wrench, and ideal for use on lightweight plastic and chrome plumbing. There is no damage to surface.

Kevlar aramid fibre has a high strength-to-weight ratio as a reinforcement material. Five times the strength of steel at the same weight, it has unusually high resistance to stretch. The rubber chemically bonded to the woven tape provides a tensile strength of 680 lbs (272 kg) and a torque loading on a complete wrench of 350 lb/ins. The tool is safe to use between temperatures of 20 degrees C and 120 degrees C and is highly resistant to most solvents and chemicals found in home or factory. It is designed for use on [illegible] inch to 4½ inch diameters (6 mm to 110 mm).

JOBS COLUMN, APPOINTMENTS

Speak now . . . • Choice of three countries

BY MICHAEL DIXON

EMPLOYERS IN Britain, pin back *your* ears! The rest of us have, after all, heard much from you, not least about the utterly inadequate mathematical skills of young recruits coming from the education system. Nor did you make that complaint in vain, as witness the official inquiry into the teaching of maths, begun 18 months ago by the committee led by Dr. Bill Cockcroft, vice-chancellor of the University of Ulster.

In all fairness, therefore, it is now your turn to listen—to a message which that committee wants the Jobs Column to relay to you. The request comes by way of one of Dr. Cockcroft's fellow investigators, Dr. Peter Wakely who was chairman and managing director of Associated Engineering Developments. And he says:

"In order to see the situation at first hand, the committee has been visiting a number of employers covering a wide range of employment and has been very interested to find remarkably little dissatisfaction on the score of mathematics. Moreover, even where dissatisfaction has been expressed, the employer has said that the problem could be solved by means of a week or so of remedial teaching.

"If this reflects the true situation as it is today, then we shall all of course be delighted. The committee is, however, very conscious that there are two other factors that could well be contributing to the picture.

"One is the high level of unemployment which allows employers to fish in better recruiting waters than for some time past. The other is that our sample of visits (which is of necessity small) may not be adequately representative and, in particular, may be weighted in favour of those companies and other employers who are able to attract the better applicants.

"We are of course making every effort to get more information on this, for example, by approaches to people like the Manpower Services Commission, employers' associations, etc., and by going back to those employers and others who have made criticisms in the past. In addition we wondered whether you might be able to help us by saying that the secretary of the committee would be very pleased to hear from any employer who believes he has cause for complaint, and who preferably can produce chapter and verse on it."

So if there are any employers or recruiters with evidence to justify dissatisfaction with the mathematical capabilities of young recruits, I suggest that *they forthwith contact the said* secretary. He is Freddie Mann, and he works at Elizabeth House, York Road, London SE1 7PH: *telephone* 01-928 9222 extension 2353.

Otherwise, the least that employers might do is to stop embarrassing *their would-be* helpers, such as myself, by broadcasting complaints which they are unable to substantiate.

Multinationals

WE NOW move farther afield, for a briefish space at least, with the aid of Bert Young, chairman of the consultants Alexander, Hughes and Associates (UK). Mr. Young happens to be a head-master turned head-headhunter, and so offers an unusual variation on the "gamekeeper turned poacher" theme.

More to *the point, however,* is the fact that he also offers three jobs on behalf of clients whom he may not name. He therefore promises to abide by any applicant's request not to be identified to the employer until specific permission is given. In each case inquiries should be sent to him at De Walden Court, 85, New Cavendish Street, London W1M 7RA; telephone 01-636 9184.

The first of the posts is based in Paris with a multinational company producing adhesives and sealants. But the responsibilities of the manufacturing *director who is wanted,* will extend beyond the company's manufacturing operations in France to those in Germany, Italy, Spain and the United Kingdom. The job entails the top-level co-ordination and supervision of all these plants' *production, investment and* related concerns.

Candidates should have a graduate-standard qualification in science, and a minimum of 10 years success in managing production in the chemicals or some other process industry. They must also be "professional" managers both in skills and in outlook, and be fully proficient not only in English, but in French and German.

The salary indicator for this job is £33,000, and the perks are negotiable.

The next post on Bert Young's list is again in the *chemicals area, with a multi*national group whose principal customer is the automotive industry. But the base is in southern Germany, where the recruit will be of general management stature and have responsibility for making profits.

Although the domain includes production and research and development, it seems that the main emphasis of the job will be on marketing and sales, albeit of a technical nature. Hence the main requirement for candidates is successful experience in the international marketing and selling of a technical pro*duct, with the accent on deal*ing with large industrial accounts. Again, a science degree would be preferred. For this job, however, German and English are the only languages deemed necessary.

The salary being offered is *approximately £35,000, and the* other benefits are for discussion.

Mr. Young's third vacancy is yet again in a chemicals-industry multinational. But on this occasion the employing group's business is in speciality chemicals, and the job is in London.

The recruit will be of general-management rank, and will be responsible for the success of what is essentially a sales organisation. The new executive's domain nevertheless covers the sales team's supporting production and technical units.

Candidates for this post primarily need demonstrable ability to manage the marketing and sales of chemicals of a speciality sort, plus knowledge of associated technical processes. A relevant qualification of some kind would help. The specification also calls for "strong leadership qualities" (whatever those might be).

Perks are for negotiation, but the salary indicator for the London job is only £20,000.

This reminds me that an executive from Brussels called *in on the Jobs Column* the other day, and expressed criticism of British managers for being willing to work so hard for so little money. We were not only demeaning ourselves, he felt, but also rather letting down the international executive *fraternity.*

The remark stung me to inquire—with, I hope, a certain pointedness—if he thought that we were acting like that out of eccentricity or something? He said he supposed not. He didn't suppose either, that the golden boys and girls of the international executive fraternity could show us how to act otherwise at a time when diminishing numbers of us look like being able to count on having salaried employment at all. Which reminds me of something else.

It seems doubtful that the demands of the work in all the three jobs outlined above, could really require the persons appointed to be in the 35 to 45 age range. Yet this is the bracket starkly stipulated in every case.

True, the chairman of the Alexander, Hughes consultancy points out that each of the posts "offers both an immediate and a longer-term career opportunity." But the mere existence of promotion prospects beyond what are apparently already fairly senior jobs, is surely not a rational reason for denying them to people who are more than 45 years old.

So I do hope that the head-hunter will try to persuade his clients to relax this narrow-minded stipulation — if he doesn't want us to attribute it to the brisk intemperance of Young, that is.

APPOINTMENTS

Senior posts at Dalgety

Mr. J. G. T. Hart, group treasurer of DALGETY, has been appointed an executive director. Mr. W. Fieldhouse has been made a *non-executive* director of the company.

★

Mr. Colin Newman has resigned as managing director of QUALITY CONTROL INTERNATIONAL. His executive functions will be assumed by Dr. Ken Lees who remains group technical director.

★

Mr. James D. N. Ford has been appointed managing director of COURVOISIER, Jarnac, France, succeeding Baron Albert de Dien who retires later this year. Mr. Ford is a vice-president of Hiram Walker-Gooderham and Worts, Walkerville, Ontario.

★

Dr. T. C. N. Carroll has been appointed to the new post of director of brewing technical resources at ARTHUR GUINNESS AND SON.

★

Mr. A. C. Line has been appointed a director of GERALD QUIN COPE from July 1.

★

Mr. W. Gilmour has been appointed company secretary and treasurer of SLEEPEEZEE, the manufacturers of high quality bedding and upholstery products. Miss Janet Kimber has been appointed chief accountant and assistant company secretary.

★

BRADFORD AND BINGLEY BUILDING SOCIETY has appointed Mr. Philip T. Duxbury as a director.

★

Mr. Dennis Webb has been elected chairman of the WINE AND SPIRIT ASSOCIATION. Mr. Guy Clark becomes deputy chairman.

★

The Trade Secretary has re-appointed Mr. P. E. Heywood as chairman and Mr. E. S. Jackson as a member of the BRITISH FILM FUND AGENCY. He has also appointed Mr. J. K. Oldale as a member to fill the vacancy caused by the death of Mr. A. G. H. Marks. The appointments are for a period of not more than three years from July 1.

★

Lord Ponsonby of Shulbrede succeeds Professor Medlik as the new chairman of the TOURISM SOCIETY. Mr. Medlik takes over the chairmanship of the newly-created activities and services committee. Mr. David Jeffries and Mr. Victor Middleton continue as chairman of the membership and education and training committees respectively. All three have been elected vice-chairman and Mr. Rory Fraser honorary treasurer.

★

The Trade Secretary has appointed Sir Robert Cooke as a part-time member of the BRITISH TOURIST AUTHORITY for a period of two years from July 1.

★

Mr. Melville Cuttell and Mr. William Fletcher have been appointed directors of LINDLEY THOMPSON, a member of the Leeds-based Yorkshire switchgear group. Mr. Cuttell has been made commercial director and Mr. Fletcher has become engineering director.

★

The Ministry of Defence has made the following appointments: Major General J. D. F. Mostyn becomes general officer commanding Berlin in September, in succession to Major General R. F. Richardson. Major General J. A. Stephenson is to be deputy master general of the ordnance, in September, in succession to Major General A. M. L. Hogge, who is to retire. Brigadier G. M. G. Swindells is made chief, joint services liaison organisation Bonn, in October, in the rank of major general, in succession to Major General W. T. MacFarlane who is to retire.

★

SPILLERS states that Mr. R. I. H. Paul, Mr. D. R. Hornby and Mr. N. L. Rigby are leaving the Board on June 30.

★

Mr. James E. Eardley, a past president of hte Sheffield Chamber of Commerce and Manufacturers, has been elected chairman of the ASSOCIATION OF YORKSHIRE AND HUMBERSIDE CHAMBERS OF COMMERCE. Mr. Eardley succeeds Mr. Peter Schofield of Leeds. Mr. C. W. Whiteley has been appointde vice-chairman.

★

Mr. J. A. R. Moller, a marine underwriter at Lloyd's, has been elected chairman of THE SALVAGE ASSOCIATION and Mr. E. W. Richardson (General Accident Group) has been elected deputy chairman.

★

Mr. Peter de Trey (AD International) has been elected president of the BRITISH DENTAL TRADE ASSOCIATION. Mr. L. E. Shadbolt (Howmedica International) has become vice-president and Mr. W. M. Lee (Oral Plastics) honorary treasurer.

★

Mr. Eric L. Beverley, commercial director, British Aerospace Dynamics Group, has been elected president of THE SOCIETY OF BRITISH AEROSPACE COMPANIES, trade association of Britain's aerospace industry. He succeeds Mr. Basil D. Blackwell, who becomes deputy president. Mr. A. Hugh Pope has become the Society's vice-president and Mr. Michael J. Cobham treasurer.

★

Mr. A. W. Pope, technical adviser to the CompAir Group, has been elected president of PNEUROP, the representative organisation of European compressor, vacuum pump and pneumatic tool manufacturers.

★

GIRARD BANK has appointed Mr. Donald S. Hough, vice-president, as general manager of its London branch. Mr. Hough succeeds the present general manager, Mr. Wesley C. Winfree, vice-president, at the end of July when Mr. Winfree returns to Philadelphia to assume the position of manager of the North American Division in the International Department.

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
ABN C	F.280	—	—	8	18	—	—	F.291
ABN C	F.300	—	—	16	8	—	—	"
AKZ C	F.20	—	—	4	3.80	—	—	F.23.10
AKZ C	F.22.50	30	1	1	2.50	5	3	"
AKZ C	F.25	—	—	21	0.90	22	1.30	"
AKZ C	F.27.50	—	—	5	0.50	—	—	"
AKZ P	F.22.50	—	—	—	—	15	0.70	"
EK C	$50	1	6⅛	—	—	—	—	$56¾
EK C	$60	25	1/16	10	2¼	—	—	"
HEI C	F.60	—	—	21	1.90	—	—	F.58.40
HEI C	F.65	—	—	20	1	—	—	"
HO C	F.15	—	—	—	—	2	3.20	F.16.70
KLM C	F.60	20	1.70	5	4	—	—	F.59
KLM C	F.70	—	—	20	1.60	—	—	"
KLM C	F.80	—	—	10	0.60	—	—	"
KLM P	F.60	48	2.50	25	5	—	—	"
KLM P	F.70	13	11.20	55	13.50	—	—	"
KLM P	F.80	3	20.80	—	—	—	—	"
NAT C	F.104.50	4	6.50	—	—	—	—	F.110.80
NN C	F.110	—	—	50	4.30	—	—	"
PET C	Fr.5500	—	—	—	—	10	3.80	Fr.5130
PHI C	F.15	—	—	2	2.70	—	—	F.17.60
PHI C	F.17.50	20	0.30	56	1	48	1.40	"
PHI C	F.20	—	—	220	0.30	100	0.60	"
PHI P	F.20	—	—	5	2.80	—	—	"
RD C	F.150	—	—	10	17	—	—	F.158.50
RD C	F.160	8	6.70	31	9.80	11	11.80	"
RD C	F.170	93	1.30	204	4	47	6.30	"
RD P	F.160	—	—	14	2.40	1	2.80	"
RD P	F.150	—	—	12	5	—	—	"
RD P	F.170	3	4.80	10	9.50	—	—	"
UNI C	F.115	—	—	10	5.80	—	—	F.117
UNI C	F.120	—	—	2	2.20	—	—	"
UNI P	F110	—	—	1	1.60	—	—	"
UNI P	F.115	—	—	3	2.80	—	—	"
XON C	$60	1	8⅛	—	—	—	—	$68
		Aug.		Nov.		Feb.		
BMW C	DM.130	—	—	6	1.60	—	—	DM.121
OXY C	$25	—	—	1	3⅜	—	—	$26⅝
SIE C	DM.260	5	2.80	—	—	—	—	DM275.50
SLB C	$110	—	—	10	14	—	—	$117¼
SLB C	$120	—	—	—	—	10	9¾	"
TOTAL VOLUME IN CONTRACTS						1408		

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	17 %	* Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Amro Bank	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
A P Bank Ltd.	17 %	Keyser Ullmann	17 %
■ Arbuthnot Latham	17 %	Knowsley & Co. Ltd.	19 %
Associates Cap. Corp.	17 %	Langris Trust Ltd.	17 %
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque du Rhone et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid. East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	18 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japhet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentieth Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs.	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Wintrust Secs. Ltd.	17 %
Eagil Trust	17 %	Yorkshire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	18½%		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	17 %		
Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

The man who needs to wear several Tam O'Shanters

Ray Perman looks at the conciliatory role which the new head of the Scottish Development Agency will have to play

THE search for a new chief executive of the Scottish Development Agency has begun and, on the face of it, the task should not prove too difficult. After all, every government department has its ready-made list of candidates for quango jobs and it should merely be a matter of running through the names until one clicks.

But the indications from the Agency and from the Government are that much more care is being taken in finding the right man to follow Lewis Robertson, the Agency's full time head who has said he does not want to be reappointed when his term runs out next January. Several potential successors have been approached to allow their names to go forward, but the final choice is nowhere near being made and time is running out. The Scottish Office wants the selection made by late summer since the new man is likely to be in a present job where he has to give three, if not six, months' notice.

The Agency was set up by the last government five years ago on the coat tails of the National Enterprise Board. Labour ministers spent a long time stressing that, unlike its big cousin, the SDA was not a politically contentious animal. Its functions, they said, were much wider, taking in such uncontroversial responsibilities as factory building and environmental renewal and, although it was being given the Herculean labour of "regenerating the Scottish economy," it would not be used as a back door to nationalisation.

The main new job that the Agency was given was to invest in manufacturing industry, through equity and loans. In looking for the first chief executive, the last government therefore went to industry.

Robertson's experience had mainly been in management, as head of a textile firm and later an industrial holding company, although he had sat on a number of public boards and committees. The gap to be bridged, it was thought at the time, was between the agency and industry, but in fact relationships with companies and with banks and financial institutions have ben relatively harmonious. It is the link with government that has yet to be bridged, and this has been reflected in the growing difficulties the SDA has experienced in attracting sufficient able management not only to run the agency itself but to advise companies in which it has invested.

Irritation

The Agency has proved to be highly political and highly controversial and, since the election of the Conservatives 15 months ago, an occasional source of irritation and embarrassment to the Government.

It has gathered a momentum, so that even seemingly safe, reliable Tory businessmen appointed to its board have become radicals. Hence the sensitivity of the present choice; the Government does not want a yes man, but it does want someone who will take the Agency along the road its political masters want it to follow.

The problem is compounded for ministers and senior Scottish Office civil servants by the fact that—much as they would like to—they cannot decide the matter alone. After an Opposition onslaught in the Commons last December the Government conceded that the SDA board should choose the new chief executive and put the name to the Scottish Secretary for final approval.

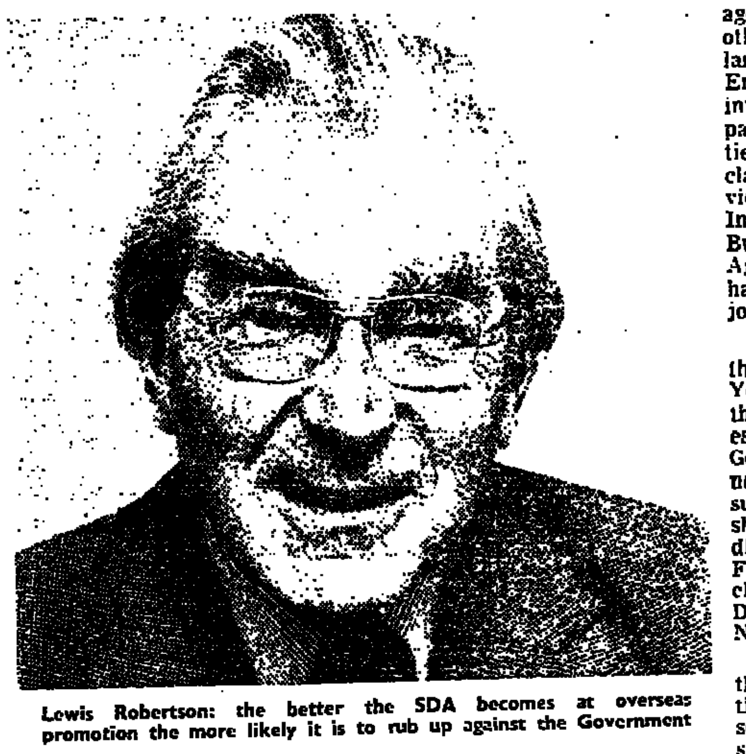
The man who gets the job will help to shape the Agency's role in the next five years, particularly in its two important functions of investment in industry and overseas promotion of Scotland.

When they came to power the Conservatives saw the first of these, the industrial investment function, as the wing that most needed to be clipped. A number of companies had been helped to expand or diversify, but there had also been failures and the investment portfolio was showing a heavy loss. New tighter guidelines were drawn up and the Scottish Industry minister, Alex Fletcher (an accountant by training), went through the list of 30 invested companies "advising" the Agency on what it should do.

In particular, he set a limit on the funds that could be made available to Stonefield Vehicles, the SDA's biggest project, which has absorbed £4m, and also urged that as many of the loss-making subsidiaries as possible be disposed of.

So far three have gone. Braidwood Developments, a plastics company, has been sold for an undisclosed sum, an option has been signed to sell Stonefield and the Agency has sold its minority stake in Prosper Engineering. Only the last of these will result in a profit and the other two could be more in the nature of gifts than sales; very little money is likely to change hands.

The Government does not want the SDA to stop investing, but it would like to see more private money going into companies alongside the public funds as a check that the agency is acting commercially.



Lewis Robertson: the better the SDA becomes at overseas promotion the more likely it is to rub up against the Government

So far, however, the private sector has been less than enthusiastic. The Scotish clearing banks turned Alex Fletcher down flat when be suggested they contribute to a new "Investment Bank" with the SDA; his second idea, that they should participate in a new holding company for Agency investments, has met a lukewarm response. The new company—provisionally named Scothold—will be set up, but there will be no private money involved.

Lewis Robertson has never seen any reason to apologise for the Agency's losses and argues that if it were consistently to play safe and go for certain commercial viability it would not be doing its job.

Overseas promotion looked uncontentious when the Agency started activity in that area three years ago, but has proved to be at least as prickly for the Government as industrial investment. The Agency's job is to "sell" Scotland abroad as a desirable location for manufacturers to set up new plants and it has set about this task with enthusiasm and drive.

The problem has been that in projecting Scotland the agency has inevitably upset other parts of the UK, particularly the depressed regions of England which equally need investment but do not have comparable development authorities. There have also been clashes with the consular service and the Department of Industry's Invest in Britain Bureau, which, until the Agency's arrival on the scene, had been doing the promotional job.

Matters came to a head with the opening of the SDA's New York and San Francisco offices, the first of a network it wants to establish in key countries. The Government sees this as unnecessarily expensive and a suggestion that the U.S. Bureau should be closed led to a disagreement between Alex Fletcher and the part-time chairman of the Agency, Robin Duthie, who was appointed last November.

Robin Duthie made it clear that he intended to win this particular battle and when he did so, committed the unpardonable sin of making his victory public in evidence to a Commons Select Committee. That has not exactly endeared him to either the Minister or the senior civil servants in the Scottish Office, the SDA's sponsoring Ministry.

The better the Agency becomes at its overseas promotion, the more likely it is to rub up against the Government. In trying to catch foreign companies it is responsible for hooking the fish, but it is the Government's job to land them by negotiating the package of grants and loans which are an essential element in determining which country a foreign investor will choose for his European base.

While severe restraint on spending continues it is inevitable that a number of the hooked fish will be allowed to jump off, to go to some other country, such as the Irish Republic, which is prepared to offer more money.

Dealing with the frustrations this causes within the Agency will be the least of the new chief executive's problems. In the present economic climate, in Scotland—where the Government is not at its most popular —every lost opportunity becomes a minor political crisis. Sensitive handling is essential if relations between the Agency and the Government are to be protected from further strain.

Headache

Staffing the agency will also be another bone of contention. Lewis Robertson, who arrived at the SDA five years ago when its staff could be numbered in handfuls (it now has more than 650), counts recruitment as his biggest headache.

In the early days when the Agency was still new and there was something of a pioneering spirit, finding senior staff was not so difficult. The men who became directors of the SDA's divisions—industry, promotion, environmental renewal, factory building, finance and strategic planning—were willing to overlook the fact that they were taking a substantial cut in salary by moving from the private to the public sectors. Replacing them when the need arises will not be so easy.

Nor will the recruitment of middle range and junior staff, who will be influenced more by the terms and conditions offered by the Agency (and set by the Civil Service Department) and motivated less by a sense of wellbeing in trying to help the ailing Scottish economy.

This has been a particular problem in the industry division, where the Agency has been criticised for taking on too much work, so that it has not been able to give the invested companies the attention they need and has been slow to react to new investment opportunities.

Lewis Robertson accepts some of the criticisms, and adds: "If I erred in allowing work to be taken on too quickly it was because I was expecting to be allowed to take on the staff that was needed.

"Not at any time since the Agency was an infant could I feel that we had enough people on the industry side to do the assessment, the thinking, the helping and the guiding. The limitation on our strength and capacity has varied between serious and very serious."

Inadequate staffing, Robertson adds, is a burden he has shared with every other public sector chief executive and chairman. It has meant an extremely heavy personal load (which last year had an effect on his health) and long hours for his senior lieutenants.

Robertson put his style on the Agency in its formative years and has seen it through the political change of government that could have seen it killed off. But if it is to survive another five years it will have to settle to a more harmonious relationship with politicians and civil servants. That is the task that faces his successor.

Trading off pay and play

THE British executive has felt himself to be under-remunerated in recent years. Like other workers, inflation has dug deeply into his paycheck.

Today, however, it appears that a clear majority feel they are being adequately paid, according to a survey* of 3,000 executives in 10 Western European countries.

The survey, by the business magazine International Management, shows that three quarters considered themselves to be fairly paid — a proportion similar to the rest of Europe. At the extremes only 56 per cent of Spanish executives thought their paychecks high enough against more than 90 per cent in Denmark.

A high proportion — nearly 60 per cent — said they would not feel more motivated if their pay was increased and nearly 60 per cent said that they would prefer an extra week's holiday to a small pay rise.

The survey also shows that around 6 per cent of executives were either separated or divorced.

Other main points from the survey are:

- Executives are showing a growing reluctance to move;
- Most managers profess high company loyalty;
- Executives are generally working longer hours than they did five years ago;
- Nearly a half of all executives do not take their full holiday entitlement;
- Most managers discuss job problems with their spouses who, they say, have a positive impact on their careers.
- Most executives find their jobs more satisfying now than they did at the beginning of their careers;
- Most would either definitely resign, or probably resign, if they were asked to commit an unethical business act; around a tenth said they would not.

* *Executive Life Values Report, International Management, McGraw-Hill House, Maidenhead, Berks. Price £12.*

Arnold Kransdorff

The embattled chief executive

MANAGEMENT SHOULD stop trying to withstand the growing plethora of social pressures by behaving as "an embattled adversary defending an ancient truth." Instead, it should adopt an attitude of constructive leadership towards society.

Far from a left-wing battle-cry, this call comes from one of the staunchest and best-known advocates and advisers of the multinational company, Professor H. Igor Ansoff, of planning and "strategic management" fame.

If private capitalism is to continue to play an effective role in future society, argues Ansoff, the firm must respond in a multifaceted and aggressive manner. It is no longer any good just "resisting efforts to limit business freedoms, on the one hand, and educating the public about free enterprise on the other."

In addition to his many academic and consultancy activities, Ansoff is currently co-ordinating an ambitious European-wide study called the Societal Strategy Project. Sponsored by nine European companies—including Fiat, Imperial Group, Amro Bank and Sweden's Statsforetag—the project is basically attempting to answer two questions: first, how is the relationship between business and its "stakeholders" changing, and how *should* it look in future? And secondly, what capabilities should companies develop to handle their new roles?

Ansoff's is one of several crash projects which have been set up in Europe and the United States to investigate how companies and their executives can learn to cope with all the increasing pressures of modern-day management: not only the changing relationship with various stakeholders (including shareholders, Government, employees, unions, and social pressure groups), but also the growth in size and complexity of business organisations, together with all the problems of industrial restructuring now faced by the developed world.

Progress reports on three of these studies will be presented and discussed in mid-July in Britain at a meeting of about 40 chief executives and directors of European companies, to be held at the Administrative Staff College at Henley.

Professor Ansoff himself will lead the discussion about his investigation, and there will also be sessions on an American study of "The Changing Role of the Chief Executive" (being undertaken by Professor George A. Steiner, of the University of California), and on a joint Euro-U.S. project called "Managers for the 21st Century." The European partner in this third project is the European Foundation for Management Development (EFMD), which is also involved in Prof. Ansoff's study.

The Henley meeting, from July 16-18, entitled "The Changing Role of the Chief Executive," is its third annual European Programme for chief executives and directors. Against the background of the three studies, it will include sessions on four topics: managing external relations; strategic planning and control; managing organisational change; and the future for the chief executive and the board.

Apart from Professor Ansoff, speakers will include senior corporate planners from Shell, IBM, Pirelli, Philips and Volkswagen, as well as board members from several other multinationals.

The Administrative Staff College, Henley on Thames, Oxfordshire. Tel. 049-166 454.

Christopher Lorenz

LOMBARD

Financing Third World's deficits

BY DAVID BUCHAN

If you're not walking a tightrope you don't need a safety net. That is the reaction of the World Bank these days to the cry by some prominent international commercial bankers that they are already over-exposed in the Third World and that lending there carries too little reward for too high risk.

If they are to help oil importing countries cover their estimated $61bn current account deficit this year, and similar sums later, they want some guarantee placed under them.

Now, it is in the nature of the World Bank that its heart should bleed more for its poor country clients than for rich countries' commercial banks. Likewise, it is natural for private banks to want every assurance for their loans—bankers are supposed to be cautious men who like to use both belt and braces to keep their trousers up.

Crying wolf

But Mr. Eugene Rotberg, the World Bank's chief financial officer, suggests the bankers are crying wolf and are not unhappy to see the financial press take up the refrain. The World Bank's concern is that talk, such as surfaced at the recent New Orleans bankers' conference, of the need for "safety nets" to underpin Third World lending, could scare some private banks into pulling back, and is as yet unwarranted by the facts.

One basic fact the World Bank points to is that external claims of banks in the main member countries of the Bank of International Settlements (U.S., Canada, Europe and Japan) totalled $1,100bn in December 1979. Of this, $160bn was out to oil-importing developing countries. Deposits by these latter countries in the BIS countries' banking system amounted to $90bn.

Thus a net exposure of only dollars 70bn — though this is unevenly spread, with some countries like India having relatively large deposits and little external debt.

So, private bankers should not maintain they are at the moment collectively hanging over an abyss, the world bank claims. If they were, they would either be refraining from lending or charging more on their third world loans. Euromarket spreads have risen from a low in late 1979, but not by a sharp jump that would reflect real anxiety, one world bank official says. Another suggests bankers are trying to "talk up" spreads against the competitive pressures holding them down.

This is the world bank's snapshot view of the present. It agrees things will get worse. Dr. Wilfried Guth of the Deutsche bank made the startling overall projection at the New Orleans conference that while in 1978 27 per cent of funds raised in the Euro credit markets was used to back maturing debt, that proportion would rise to 50 per cent this year and 65 per cent in 1985.

Loan margins will rise, the world bank does not doubt, probably bringing second-tier banks into foreign lending if they feel they can turn adequate profit while still keeping most of their eggs in the domestic basket. An early example cited of this is Credit Agricole, the big French institution, which has now dipped its toe into foreign operations.

One almost hard-hearted argument heard in the world bank against a new safety net device is that it might encourage the "upper voltas" of this world to borrow at a 10 per cent they cannot afford, or perversely to make them more creditworthy than the "South Koreas."

As for the safety of international banks, controls and assurances do exist. The main BIS central banks are agreed to prevent any big bank failures threatening the whole financial system, and governments are supposed to keep a watching brief over their banks' foreign lending.

A time might come later for extra measures. Dr. Guth suggested "a jointly organised international safety net" to which commercial banks might resort if for some reason deposits were to dry up. Other ideas kicked around include an International Monetary Fund guarantee on third world lending, or original lenders like OPEC countries taking the credit risk.

It would be nice if, as the world's wealth is redistributed to OPEC, so were some of the credit risks. But the world bank regards this for the moment as wishful, and unnecessary thinking.

Problems in the Austrian vineyards

WINE

BY EDMUND PENNING-ROWSELL

ONE HAS to visit Austria fully to be able to express surprise that its wines are so little known in Britain; in terms of their total production and variety it is scarcely an exaggeration to state that they are practically unknown here—as the Austrians themselves admit. The only name known to quite sophisticated wine drinkers is Gumpoldskirchner. Last year we imported a mere 11,000 hl of Austrian wines; and that was better than only 6,600 hl three years earlier. As the average export price per litre in 1979 was only 14 schillings (less than 50p), it seems unlikely that much of those wines of which the Austrians are most proud reached these shores.

Comparison with our consumption of wines from that other basically white wine producer and its neighbour, Germany, shows a startling difference, for last year Britain imported 456,000 hl from Germany. A much bigger wine country, it may be countered, but not to account for the disproportion in our imports. An average vintage in Germany may now be reckoned as around 8m hl; in Austria at least 3m, and probably more.

For Austrian wine production has greatly developed in the past 25 years, after a long period of quiescence that followed the distribution of the former Hapsburg territories after the First World War. The 8,000 hectares of vineyards in Styria—over 30,000 before the phylloxera—were reduced to 2,000, with the rest in the newly-formed Yugoslavia. In 1955, when the Allied occupying forces left Austria, there were only 35,000 ha under vines, and the production was a mere 1.16m hl.

Today the vineyard area is 56,000 ha, including an almost new district the Seewinkel, between the Neusiedlersee and the Hungarian border. The record crop so far was 3.37m hl. in 1978, but when recent plantations come into full production the total may reach 3.5m hl.

Alas, too much! For while Austria comes tenth in the per capita consumption league, with a substantial toal of 35 litres a year (compared with our British downput of only 6.5 litres), there is a surplus of production of between ½m and 1m litres a year, *dependnig on the size of the vintage*. Indeed, the recent history of Austrian wine production has been similar to that of some other regions, notably Jerez and Cognac.

In the early 1970s the Austrian vintages were deficient and there was a cry that there would be a shortage of wine. Unauthorised planting of new vineyards occurred, and in 1974, bowing to pressure from the growers, the regional governments of Burgenland and Lower Austria, which together cover 95 per cent of the vineyard area, authorised new plantings. As the visitor can see, these have not entirely stopped. The result is over-production in these two regions, and only in the tiny, 2,400-ha vineyard area of Styria, which produces no more than one-third of local consumption, is there a deficit.

It is widely agreed that fresh planting should be stopped, but this is the prerogative not of the Federal Government but of the regional authorities; and, as nearly always in agricultural matters, it is a political question. For there are 56,000 wine growers—one per hectare of vines—and although only about 20 per cent live exclusively by wine production, a return to prohibition of planting would not be electorally popular. Yet it is essential if wine-making is to regain its profitability in much of the Weinviertal whose extensive vineyards lie on the rolling, downland-like country between the Danube and Czechoslovakia; and in the mainly flat Burgenland south of Vienna.

It is not that Austrian viticulture is old-fashioned or inefficient. Indeed, it is the home of the "high-culture" system, associated the world over with Lenz Moser of Krems, on the edge of the Wachau. It was first developed there in 1928-29, and is now followed in over 80 per cent of the Austrian vineyards, and in due course will cover nearly 95 per cent, with only the terraced vines, where this is not possible, retaining the traditional low-culture methods.

Whereas the traditional vine rows are usually 1.2 metres apart, under the high-culture system they are 3 to 3½ metres apart, thus permitting mechanical cultivation between the high vines, and reducing the number of man-hours per year from 2,300 to around 600 per hectare. This has been further developed by Bründlmayer of Langenlois to the north of Krems, with the vines attached only to a top wire and otherwise allowed free play thus further reducing man-hours in some vineyards to only 340 per year; and half of this at vintage time. Yields are high, too, especially in the flat vineyards, though generally not as high as in Germany, where some of the same grapes, such as the Riesling and Müller-Thurgau are grown.

Moreover, there are recent wine laws, particularly a basic one passed in 1966, and amended in 1969 and 1976, which impose strict regulations about planting, viticulture and wine-making. The finer quality wines follow the German system of Kabinett, Spätlese, Auslese, etc., and the minimum natural sugar content required for each of these grades is higher than in Germany. Though this may be reasonable in the humid, low-lying Burgenland vineyards where the "noble rot" *(botrytis cynerea)* abounds, it is excessive in the more northerly higher vineyards as on the Wachau terraces.

While sugar may be added to the lower quality wines, the addition of unfermented grape juice, *restsüsse*, as practised in Germany, is forbidden. The result is that fine Austrian wines are, with the exception of the most luscious Beerenauslese and Trockenbeerenauslese, much drier than the general run of German wines, except for the newly fashionable *trocken* and *halbtrocken* types. The superior Austrian wines are fermented right out, as in Alsace.

What, however, is probably still needed in Austria is a limitation on maximum yields (there is little or none in Germany), and this could be part of an *appellation contrôlée* system. Also descriptions on labels leave much to be desired. It is not always clear, for example, whether a wine has been chaptalised or what its status is, whereas a German *qualitätswein* will certainly have had sugar added.

Surplus production has brought an emphasis on the need for exporting that is reinforced by the necessity to import red wine into a country whose production is 85 per cent white. More than half the 200,000 hl. imported last year came from Italy, notably the Kalterer See, which many visitors to Austria fail to identify as the Lago di Caldaro from the Alto Adige.

Germany is by far Austria's chief wine customer, and last year imported 277,000 hl out of a total of 443,000 hl exported, which was unusually increased by some exceptional sales to Luxembourg. In 1978 exports came only to around 250,000 hl. Curiously enough, while most German wine importers are of very low-priced wines, it is the relatively expensive luscious wines of Burgenland that are most sought after, although vastly cheaper than similar German wines. There should be a reasonable market for these often remarkable wines here in Britain, as well as for the fine dry wines of the Wachau and its neighbourhood, and I will write about them in further articles.

Who will ride Sea Chimes?

RACING

BY DOMINIC WIGAN

In spite of the fact that the Eclipse Stakes is only four days away, no firm arrangements have yet been made for a jockey for Sea Chimes, the favourite.

With Willie Carson and Lester Piggott, who both get on so well with the Arundel colt, expected to partner Ela-Mana-Mou and Gregorian respectively, John Dunlop has asked Pat Eddery to stand by. However, should either Carson or Piggott become available it seems more than likely that Dunlop will rely on an already proved relationship.

Although Gregorian is said to have worked well after racing at The Curragh on Saturday evening, some—including one or two in the Sea Chimes camp — believe that O'Brien's Graustark, a four-year-old, could be an absentee on Saturday.

Two weeks ago Gregorian, to many people's surprise, was pulled out of the Hardwicke Stakes at Ascot.

Sea Chimes, in whom there is infectious confidence at Arundel, heads the Coral ante-post betting on the Eclipse Stakes at 5-2, half-a-point in front of Gregorian. Ela-Mana-Mou, Last Fandango, and Hello Gorgeous, are available at 4-1, 5-1 and 6-1 respectively.

Since Joe Coral took over sponsorship of Sandown's most valuable prize from Benson and Hedges in 1976, four heavily backed colts in Wollow, Artaius, Gunner B and Dickens Hill have landed the Eclipse. Should Pat Eddery ride the favourite, he will be bidding for his second Eclipse victory for in 1974 he brought home 33-1 chance Coup de Feu, the longest priced winner of the race since the war.

On the corresponding afternoon a year ago favourite backers had something of a field day at Yarmouth with the market leader justifying that position in all but the final race. Today, there are a number of likely looking favourites including The Trader who I expect to see lifting the afternoon's feature event, the C. J. Palmer Handicap.

YARMOUTH
2.15—Courreges
2.45—Silver Samantha*
3.15—Bugle Sound***
3.45—The Trader**
4.15—Jubilee Prince
4.45—Silk

FOLKESTONE
2.00—Myra's Pet
3.30—Kevin Keegan
4.00—Vagabond King
4.30—Spritely

TV/Radio

† Indicates programme in black and white

BBC 1

11.55 am Tennis from Wimbledon. 1.30 pm Trumpton. 1.45 News, followed by Tennis from Wimbledon. 4.18 Regional News for England (except London). 4.20 Play School (as BBC-2 11.00 am). 4.45 Battle Of The Planets. 5.05 John Craven's Newsround. 5.15 Ask Aspel.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Wimbledon Tennis.
7.20 The Wonderful World of Disney.
8.10 Athletics — The Bislett Games.
8.30 Rings on their fingers.
9.00 News.
9.25 I'm Not a Bloody Parcel.
10.15 Play For Today.
11.40 Weather, Regional News.

All Regions as BBC-1 except as follows:

BBC Cymru/Wales—11.00 am-1.30 pm Cricket: Glamorgan v West Indies. 1.55-4.20 Tennis and Cricket. 5.15-5.40 Bilidowcar. 5.55 Wales Today. 6.15 Cricket. 6.30 Heddiw. 6.50 Join BBC-1 (Wimbledon). 7.20 Gair Igall with Hywel Gwynfryn. 7.45-8.10 Beside the Sea. 11.40 News and Weather for Wales.

Scotland—9.55 am Noah and Nelly in Skylark. 10.00 Jackanory. 10.15 Cheggers Plays Pop. 10.35-10.55 Take Hart. 1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 am Play School.
12.00 Wimbledon Tennis.
7.50 pm One Hundred Great Paintings.
8.00 Mid-Evening News.
8.10 Out of Court.
8.35 My Music.
9.00 Spike Milligan in Q9.
9.30 The Enigma Files.
10.20 Wimbledon highlights.
11.00 Newsnight.
11.35 Rugby Special: South Africa v The British Isles.

LONDON

9.30 am Wilkie on Water. 10.00 A Big Country. 10.25 World Famous Fairy Tales. 10.40 Young Ramsey. 11.30 Bailey's Bird. 11.55 Mr. Magoo. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus Encore. 2.45 After Julius. 3.45 Tell Me Another. 4.15 Get It Together. 4.45 Extraordinary. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.40 Crossroads.
7.05 "Hi-jack," starring David Janssen and Keenan Wynn.
8.30 Moscow and Coe.
9.00 Love Among The Artists.
10.00 News.
10.30 Only In America.
12.00 Oscar Peterson Presents Count Basie.
12.25 am Close: Personal choice with Andrew Cruickshank.

All IBA Regions as London, except at the following times:

ANGLIA

10.00 am Tuesday Morning Film. "Madonna of the Seven Moons" starring Phyllis Calvert, Jean Kent and Stewart Granger. 11.45 Cartoon Time. 12.30 pm Against the Wind. 1.20 Anglia News. 2.00 Houseparty. 2.25 Poetry of Landscape. 6.00 About Anglia. 7.00 Enterprise. 7.30 Charlie's Angels. 12.00 The George Hamilton IV Show. 12.30 am You Have A Minute Lord?

ATV

10.00 am The Story of Wine. 10.25 Morning Cinema: "Passage Home" starring Anthony Steel and Peter Finch. 12.30 pm Against the Wind. 1.20 ATV Newsdesk. 2.00 The Royal Show. 5.15 Survival. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 A Man Called Sloane. 12.00 ATV Newsdesk.

BORDER

10.00 am Treasure in Store. 10.25 Red Gauntlet. 10.50 Cooking with Tovey. 11.05 Tarzan. 11.55 Cartoon Time. 1.20 pm Border News. 5.15 All Right Now. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Charlie's Angels. 12.00 Brass in Concert. 12.45 am Border News Summary.

CHANNEL

12.30 pm Against the Wind. 1.20 Channel Lunchtime News, What's On Where and weather. 5.15 Spiderman. 6.00 Report at Six. 7.00 Friends of Man. 7.30 Charlie's Angels. 10.28 Channel Late News. 12.00 George Hamilton IV. 12.25 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 10.00 Treasures in Store. 10.25 The Red Gauntlet. 10.50 Cooking with Tovey. 11.05 Tarzan. 12.30 pm Against the Wind. 1.20 North News. 6.00 North Tonight and area weather forecast. 7.00 Tuesday Comedy: "Carry on Again Doctor" starring Kenneth Williams, Sidney James and Jim Dale. 12.00 Reflections. 12.05 am North Headlines.

GRANADA

10.00 am Heritage. 10.45 Cartoon Time. 11.00 Sesame Street. 12.30 pm Against The Wind. 1.20 pm Granada Reports. 5.15 Happy Days. 6.00 Granada Reports. 6.35 Emmerdale Farm. 7.05 Tuesday Premiere: "This is the West That Was." 12.00 Jazz Concert (Stan Tracey Quintet).

HTV

10.00 am "Knights of the Round Table" starring Robert Taylor, Ava Gardner, Mel Ferrer, Anne Crawford and Stanley Baker. 1.20 pm Report West Headlines. 5.15 Cartoontime. 5.20 Crossroads. 6.00 Report West. 6.45 The Tuesday Movie: "Salvage—1."

HTV Cymru/Wales—As HTV West/HTV General Service: 12.00-12.10 pm Ffalabalam. 1.20 Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 4.15-4.45 Sbardun. 6.00 Y Dydd. 6.22-6.45 Report Wales. 10.30 Bywyd. 11.30 World in Action. 12.00-12.30 am What's On Next?

SCOTTISH

10.00 am A Flint With Fire. 10.25 The Lost Islands. 10.50 Cooking with Tovey. 11.05 Young Ramsay. 11.55 The Bubblies. 1.20 pm News and road weather. 2.00 The Royal Show. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today News. 6.30 The Steve Jones Programme. 7.00 240 Robert. 12.00 Late Call.

SOUTHERN

10.00 am Jack the Giant Killer. 11.25 Southern Report. 11.25 Who Cares? (South East area only). 12.30 pm Against the Wind. 1.20 Southern News. 2.00 Houseparty. 2.25 The Hallmarking of Gold, Silver and Platinum. 3.45 The Electric Theatre Show. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 A Man Called Sloane.

TYNE TEES

9.20 am The Good Word followed by North East News Headlines. 9.55 George Hamilton IV. 10.20 The Mad Dog Gang Meets Rotten Fred and Ratsguts. †10.45 Morning Movie: "The Night We Got The Bird" starring Brian Rix and Ronald Shiner. 1.20 pm North East News and Lookaround. 5.15 The Electric Theatre Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 7.30 Charlie's Angels. 12.00 Next Step Beyond. 12.30 am People at Prayer.

ULSTER

10.00 am Treasures in Store. 10.25 Red Gauntlet. 10.50 Cooking with Tovey. 11.05 Chopper Squad. 1.20 pm Lunchtime. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 The White Line. 6.30 Bygones. 7.00 Emmerdale Farm. 7.30 A Man Called Sloane. 10.29 Ulster weather. 12.00 Bedtime.

WESTWARD

10.00 am Untamed World. 10.25 Red Gauntlet. 10.50 Sesame Street. 11.50 Cartoontime. 12.30 pm Against the Wind. 1.20 Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Spiderman. 6.00 Westward Diary. 7.00 Miss Westward. 7.30 Charlie's Angels. 10.31 Westward Late News. 12.00 George Hamilton IV. 12.25 am Faith for Life. 12.30 West Country weather and shipping forecast.

YORKSHIRE

10.00 am Call It Macaroni. 10.25 Comic Stories. †10.30 "Blue Murder at St. Trinian's" starring Terry-Thomas, George Cole, Joyce Grenfell and Alastair Sim. 11.55 The Bubblies. 1.20 pm Calendar News. 3.45 Calendar Tuesday. 5.15 Father, Dear Father. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Charlie's Angels. 12.00 The Amazing Darts and the Boy from New York City.

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Peter Powell. 7.00 Personal Call. 8.00 Bruno. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—6.00 am With Radio 2. 2.03 pm Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 John Timpson (S). 12.03 pm David Hamilton (S). 2.03 Wimbledon. 7.00 John Dunn (S) (join vhf). 8.02 Hooray for Hollywood. 9.02 Glamorous Nights (S). 9.55 Sports Desk. 10.02 Variety Club starring Roy Castle. 11.02 Sports Desk. 11.15 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 8.55 Clara's Country Characters. 9.00 News. 9.05 This Week's Composer: Haydn (S). 10.00 French and Italian Baroque Music (S). 11.35 Piano Recital (S). 12.10 pm BBC Symphony Orchestra Concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Concert, part 2 (S). 2.10 Images of Debussy (S). 2.55 Witold Malcuzynski piano recital (S). 3.45 BBC Scottish Symphony Orchestra (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Three Mozart Concertos (S). 8.30 What Books I Please (reflections by Professor Laurence Martin). 8.45 Songs From Three Continents (S). 9.30 The New Economic Strategy (talk by Frank Blackaby). 10.00 The Piano Music of Busoni (S). 11.00 News. 11.05-11.15 Robert Fayrfax (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 Medicine Now. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Little Dorrit (S). 4.10 A Matter of Trust: The Joseph Rowntree Memorial Trust. 4.40 Announcements. 4.45 Short Story. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Detective. 7.00 News. 7.05 The Archers. 7.20 Reel Evidence: Counterfeiting. 8.05 On The Train to New Zealand. 8.20 The Sound of Joy (S). 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Britain Quiz. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

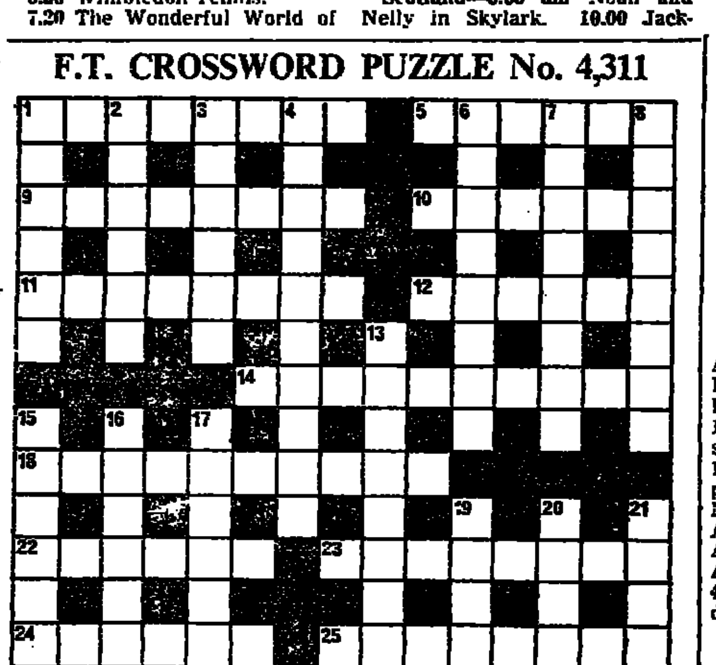
London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes with guest Nick Faldo. 12.00 LBC Reports. 8.00 pm After Eight. 9.00 Nightline with educational advisor, Alan Murrell. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S). 1.10 Mike Allen continued . . . 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Charlie Gillett (S). 11.00 Tony Myatt's Late Show (S). 2.00 am John Sach's Night Flight (S).

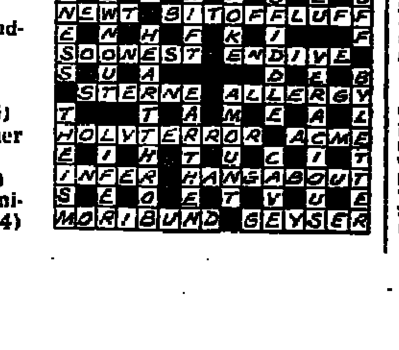
F.T. CROSSWORD PUZZLE No. 4,311



ACROSS
1 Compose part in elaborately prepared performance (3,5)
5 What one billiard-ball must have to be accurate (4-2)
9 Good-looking vehicle it's said (8)
10 Looking like a burglar about to confess (6)
11 A garment too many that painters put on? (8)
12 Strict characteristic from the south (6)
14 Fastidious in taste and detail (10)
18 I still must appear in time for spirit (10)
22 Nought left in area but it's area (6)
23 Human likeness confused P.R.O. and 12 without leader (8)
24 Undiminished in diplomacy (6)
25 Return first-class literature for each class of creeping things (8)
26 Crowd right inside part of crop (6)
27 Incidentally, it's at the roadside (2,3,3)

DOWN
1 Train lots of swimmers (6)
2 Small old coin for leather worker (6)
3 Bag fashionable party (6)
4 Approach a piece of furniture that's accessible (4-2-4)
6 Professional man's business or custom (8)
7 Agree to admit a wife racially (8)
8 Information raised on a Conservative expressing denial (8)
13 Writing materials etc. from stopping-place on eastern railway (10)
15 Impractical person gives impression on catalogue (8)
16 One who agrees to make fool come in (8)
17 Little William is able to make a cooking utensil (5-3)
19 Sew the last scrap of clothing in pain (6)
20 Everything in pig is yellow (6)
21 Group featured in beginning and end of story could be fuming (6)

Solution to Puzzle No. 4,310



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ART GALLERIES

EXHIBITIONS

هكذا من الأصل

St. Magnus Festival, Orkney

Uranium Songs

by ANDREW CLEMENTS

Posters advertising the festival are well outnumbered in Kirkwall and Stromness by others with simpler messages—"No Uranium," "Keep Orkney Green—No Uranium Mining." In the past few years the Orkney people have learnt to cope with oil and the problems oil brought; they can be contained.

But discovery of uranium-rich deposits in the North-West of mainland Orkney has fiercely united the community against their extraction. The campaign is vigorous and well-organised, and it was inevitable that Maxwell Davies should add his voice to protecting his adopted homeland.

His major work of protest, *Black Pentecost*, for soloists and orchestra, is still to be performed. But at a late-night concert in Kirkwall, repeated the following evening in Stromness, Eleanor Bron with the composer at the piano gave the first performance of *Uranium Songs*, under the title of "The Yellow Cake Revue."

*

The songs are a straightforward expression of Davies' outrage; the tone of his texts is savage, bitterly ironic, written to show solidarity with the islanders. Anywhere other than Orkney, indeed, they are likely to have little impact.

Davies sees the songs as an attempt to build on "the cabaret songs of Berlin of the early '30s," inevitably inviting comparisons with Weill and Eisler. The texts stand up well: pungent and direct, though the satire at times is a little heavy-handed. But the settings, gently oscillating piano accompaniments and, at least as delivered by Miss Bron, sketchily outlined melodies, lack edge and bite.

The sequence of songs and monologues is broken twice by dreamy, hypnotic piano interludes, as if recalling the tranquility of Orkney as it once was. Otherwise the possible course of uranium mining on the islands is chronicled from its beginnings to the final nuclear catastrophe.

The essential quality of directness which the music of the *Uranium Songs* so conspicuously lacks was emphasised by the performances that the Fires of London gave during the festival. A pair of concerts, one in Stromness and one in Kirkwall, gave a neat resumé of Davies' preoccupation in the late 1960s, before he discovered Orkney and wrought such a change in his musical style.

Then directness, whether to move or to shock and appal, was tightly controlled, and the means to it precise and effective. Schoenberg's *Pierrot Lunaire*, in Mary Thomas' long familiar version, provided the point of reference. William Louther danced *Vesalii Icones* (one of Davies' finest pieces in its complex hierarchy of meanings and imaginative force), and the Fires prefaced the *Missa Super l'Homme Armé* with the little overture *Antechrist*.

If a newcomer to the festival might have wondered how such fare would go down in the islands, its reception dispelled all doubts. Davies is now so established as part of the Orkney community—copies of his scores are available in at least the remarkable Stromness bookshop alongside the poetry of Edwin Muir and George Mackay Brown—that his choice of programmes is entirely taken on trust.

Both concerts were well attended, and Vesalii Icones noisily received. Louther's performance seems to have become more obviously expressive over the years, if less precise; Alexander Baillie's playing the cello part is as fine as could be imagined.

In their concert in Stromness the Fires also gave the first performance of a piece commissioned by them from Philip Grange, a regular student of Davies' Dartington classes, and now studying at York with David Blake. Cimmerian Nocturne begins with a most striking musical image: lonely, terrified cries from a solo piccolo which gradually subside into slowly accumulating layers for bass clarinet and percussion.

*

Grange describes his piece as "the creation and then the braking of a moto perpetuo," a simple idea, building up a complex pattern on unpitched percussion while first the clarinet and later the flute unwind long, slowly moving lines. The shape is perhaps predictable—a climax hard won and a subsequent swift decline into remembrance of the opening cries—and the scale is too extended, but there are enough strong ideas in the piece to suggest that Grange's future development should be watched most closely.

London Galleries

Opening Up

by WILLIAM PACKER

Running a gallery that deals in contemporary art is perhaps a little like owning a race-horse: a great deal of fun to be had from the exercise, no doubt, but not necessarily the most certain of livings. There are of course, as there will always be, dealers successful enough to encourage the hopeful; but even in the best of times (which these, I need hardly tell the reader of this newspaper, most certainly are not), the economics of the business remain as alarming as they are opaque.

It is therefore a real and regular surprise that there should be so many enthusiastic and dogged survivors in this difficult trade; and even more heartening is the number of optimists still prepared to come forward to try their luck, whether coming back for more after an interval of convalescence, or setting up shop for the first time.

It is sad that any surprise should be felt at all, for there is more than enough excellent work of all kinds to go round, and had we as a society a natural regard for the visual arts there would be no problem. But we live in a country in which the civilised expectation of personal patronage, no matter how modest the scale, has quite died out; and there is not even an educated general curiosity about what is being done. We are all too likely to count the house empty of all original and recent art a matter of some pride.

All the more credit then to those heroes who do persist, and those especially who choose to take the fight to the philistine: for, with the galleries opening up lately, there would seem to be a distinct trend towards colonising districts that have been hitherto, or at least for some time, ungalleried.

The practical financial advantages of such a removal are obvious enough, but the mutual aid and encouragement to be enjoyed in the established gallery world of the West End, and, of course, the habituated public that strolls through it, are powerful counter-inducements.

It is a committed gallery-goer indeed, if not a local, who will find himself regularly in Battersea and Islington, or Hampstead and Parson's Green; and not every show can be irresistible. But where one leads we must hope others will follow, and a clutch of shows to see makes the decision to travel somewhat easier to take.

Most important of all, the slow spread of the galleries into the suburbs makes the habit of visiting them easier to acquire, makes them indeed part of the furniture of normal life; and who knows but that to buy from them might come to seem less outlandish a thing to do. Many hopeful enterprises have foundered in these tricky waters, of course, but sooner or later one will get through.

Perhaps Moira Kelly's is that one. She ran the old AIR-Space Gallery in its Shaftesbury Avenue days with considerable liveliness and distinction, but sank out of sight when that enterprise seemed doomed, torpedoed by leases (I am happy to say that the AIR-Space Gallery is in good shape again, in Rosebery Avenue this time, under Robert MacPherson's direction—more of that another time).

Five Bottles, 1976, by Fred Watson

Now she has opened a gallery under her own name at 97, Essex Road, N1, a small but ingeniously contrived space, by which she intends to follow her former simple policy, trusting nothing if not her own judgment.

Her inaugural show brings together two artists whose primary material is wood: Harry Snook, who showed at the Serpentine early last year, and Fred Watson, whose London début this is.

Watson is a carver, and a figurative artist at that, with still-life supplying his subject-matter; and this little show, though weighted rather towards the more recent work, covers some 10 years' activity. His table-tops and shelves, with their quiet, undemonstrative groups of bottles and stacks of books, and the odd plant or fruit or two, are at first sight straightforward and obvious almost to the point of banality, but deceptively so. And given time the sculptural integrity comes through: the respect for material, the craftsmanship, the calm, hieratic simplicity of the statement.

Far from being mere exercises in realisation, the work directs the attention towards the wider problems and possibilities of sculpture, the imagery through its very directness demonstrating the strange autonomy of the work of art.

Usually the pieces are worked from single blocks, the grain taking the eye across the surface, over the folds of the cloth, round and up the bottle; and where the block is not integral, the blocks are brought together to confound expectation, like a Chinese puzzle, for the dimensions of the original blocks, not the final composition, determined the nature of the sculptor's opportunity. And always there is the evidence of the process, the marks of the chisel here pointing the high finish there, flat silhouette perhaps, as in the large stone-carving set against the full roundness of the form.

As with all artists who work in relief, Harry Snook moves into a kind of no-man's-land between painting and sculpture, between the material fact of the object and the pictorial illusion imposed upon the surface—and this is no less true of the abstract than of the figurative.

Snook revels in the ambiguity, painting, rubbing and scratching the face of the work, drawing as it were with the saw around the profiles of the many elements he brings together. The result is a romantic expresionism in wood, the imagery unspecific, for all that it is so matter-of-fact, but rich in atmosphere and association.

We are free to bring to the work what our own experience of the world suggests: an emphatic horizontal division carries inevitably the thought of landscape, a touch of blue and white must suggest the sky, the chance curve of an edge might just cast the shadow of the flight of a bird. Snook proposes, we dispose. Both shows continue until July 19.

Of the other newer galleries I adumbrated, the Warwick Gallery at 33, Warwick Square, SW1, should be noticed in particular, for that part of Victoria, though hardly remote, is decidedly removed, and the independent Trust which has rescued the old Heatherley Art School premises has given us thereby a remarkably fine new exhibition space, the old studios with their high ceilings making perfect galleries.

Bryan Robertson is advising the Trust on its programme of shows, which promises a number of treats, the first of them already available (until July 11), a choice retrospective of the work of Nigel Hall.

The earlier pieces, from the mid-'60s, show Hall as a whimsical and poetic surrealist, making images that contradict the earth-bound nature of sculpture, with so solid curtains flapping through tiny windows, and clouds floating above the hills. The process of abstraction from this point is clearly charted, the forms simplifying and lightening until the final refinement of means is achieved: the light aluminium rod with which he has played so many elegant and ambiguous games ever since.

The work has floated off the floor and up the wall, these fine reliefs endlessly teasing our perception of the physical space they occupy with their false perspectives and shadow-play. They are very beautiful things, and the Warwick Gallery is their perfect home.

There is no space now to do more than mention other galleries, but I intend to return to them: The Picture Gallery, 4, Abercrombie Street, SW11; Holsworthy Gallery, 205, New King's Road, SW6; Ian Birksted, Flask Walk, Hampstead; South East Gallery, 229, Camberwell New Road, SE5; and there are many others.

Holland Festival

Live Life

by CLEMENT CRISP

The Théâtre Carré in Amsterdam is a solid, conventional building on the Amstel. Inside, the seating rises steeply in a deep horse-shoe curve around a central floor, with a small inner stage at its back. I mention these facts since they dictated certain elements in two works I saw given by the Dutch National Ballet as part of the Holland Festival. Both pieces date from last year; both, fortuitously, are linked by their titles, but in no other way.

The video-camera has, during the past two decades, become very important for dance companies. Speedy, inexpensive and immediate records can be made of performances and of rehearsals. Hans van Manen has worked with film in ballet before (he provided the cinematic part of *Mutations*). In *Live* he uses video as an instant filmed record of a performance, to be seen by the audience simultaneously with the performance. There results a fascinating contrast between what is live—the dancing—and "live" transmission through a video-camera which is projected on to a screen placed in front of the Carré's inner stage.

Van Manen uses a young dancer, Coleen Davis, as focus for the choreography; Henry Jurriens is her partner; Henk van Dijk is the cameraman; and for score he has turned to late Liszt piano music—well played by Regina Albrink in which the composer seems to erode tonality: an ideal choice for a work which questions the usual "tonality" of our way of looking at dance.

Coleen Davis is an elegant, finely-boned dancer. Van Manen's choreography capitalises on her sometimes steely style, while the cameraman, dogging her every step, seems hypnotised by her secret, self-absorbed gaze and by the beauty of a hand or a foot. Davis has an intensity of physical presence that makes the relationship with the cameraman like that of Oedipus answering the sphinx's riddles: the thrust and parry of their interview — the sphinx's questions are the brittle, exotic gestures and the way she traces her hand down her profile, which loom enormous on the screen—given greater force by the passion with which the cameraman follows the dancer.

The relationship thus established is then extended. Henry Jurriens passes across the dance area and walks out into the theatre's foyer. Eventually Davis and van Dijk follow, and we watch the next sequence entirely on the screen. It is as if we become privy to another level of the dancers' existence—an off-stage life which, in this case, is an ardent, aggressive duet which ends as Jurriens moves round the curve of the foyer, and is seen only momentarily reflected in narrow, mirrored panels before finally disappearing. (The camera-work here is worthy of a Cocteau film in its allusive, haunting imagery.)

Davis now re-enters the stage area with the cameraman. As he follows her, she places a hand over the camera lens and stands, immobile as a pre-recorded video sequence shows us a duet with Jurriens in a studio. The mood is abrasive, unquiet, a fact stressed by vicious sound amplification, so that a football sounds like a gunshot, a slammed door a bomb exploding. Van Manen here suggests video's other identity as a recording-machine, an artificial memory which is also, in this instance, poetically transformed into the girl's memory.

Next the action returns to the "now" of the Carré's stage. Davis exits, and van Dijk joins her as she walks through the foyer, picks up her coat, and wanders out into the street. His camera follows her in long-shot as she walks through the traffic and out of sight.

Live is a brilliant exercise in conflicting and complementary realities. It creates an extraordinary feeling of intimacy as the simply-clad figure of Coleen Davis, whom we see, also exists in the close and very "involved" view shown us by the camera. Reverberant, many-layered, *Live* asks — and answers — questions about the nature of the real world, about video's ability to suggest not just the facts of physical being but also the co-existence of many realities and their inter-action with memory. It is innovative, beautiful, and, very significant, the primacy of dance is never questioned.

The primacy of dance does not even enter the considerations of the second piece of the evening, *Life*. Combining, by the weirdest alchemy, political and choreographic naivety, it lasts two hours without an interval, involves a huge cast (which includes 40 drum majorettes), a girl cooking a trout on a Primus stove, film of the Dutch Royal Family contrasted with photographs of starving children, nearly two hours of the music of Charles Ives—a lot for anyone to have to endure—the Yalta Conference with Hitler as an extra participant, and not one fragment of choreography that I felt was worth the time of the poor straining bodies it was made on.

The audience sat docile through this encyclopedia of clichés—numbing to the intellect as to the posterior and never did the words "life sentence" seem more menacing.

Life bangs relentlessly away at its shop-worn old themes with Tarzan-like subtlety and vast loquacity: Queen bad, workers good; aerosols bad, seagulls good; leopard-skin coats bad, leopards good.

As an example of *proletkult* it is 60 years out of date; as a choreographic spectacle it is a non-starter, cohorts of dancers stamping and clattering about disguised as scouts and courtiers and workers waving red flags and singing the *Internationale*, interspersed with unenterprising dance incidents in which the men of the company do rather better than the women.

This farrago was devised by Rudio van Dantzig and Toer van Schayk. It is some measure of what I find the piece's colossal innocence that they do not succeed in knocking down even one of their ancient Aunt Sallies to any theatrical effect.

Christ Church, Spitalfields

Betulia Liberata

by DAVID MURRAY

The Spitalfields Festival began on Sunday with Mozart's *La Betulia Liberata*, K.118—an adventurous choice, and apt, too, in view of the imminent performance of *Lucio Silla* which are the festival's central offering this year. *Lucio Silla* was Mozart's last opera seria for Italy, written when he was 16; *La Betulia Liberata*, his one and only oratorio, had been composed a year earlier for Padua. (It is not certain that it was performed there or anywhere else in Mozart's lifetime, though he did not forget it: 13 years later he contemplated raiding the *Betulia* score for a new work.)

Oratorios of the period were distinguished from opera seria by little more than a surplus of edification over action, and a consequent saving on scenery. Mozart's development between the one work and the other was thus an increasing command of one musico-dramatic idiom, and enormously interesting to follow.

Certainly *Lucio Silla* has a dramatic range beyond the ambitions of the oratorio, though the performance of the latter under Richard Hickox with his City of London Sinfonia and Wooburn Singers minimised the shortfall. There is nothing in *Betulia* to match, say, the Tomb scene in *Silla* for sombre, sustained tension.

The oratorio enacts the story of Judith and Holofernes; quite typically, Metastasio's libretto leaves Holofernes off-stage, reduces the fatal encounter to a post-mortem narration, and concludes lengthily and with the conversion of an irrelevant Ammonite prince. But for the overture and some choral interventions, the tale is unfolded in recitative punctuated by solo arias. The festival cast made much of the broad, schematic contrasts available, and more still of the latent theatrical power of the solo writing.

With a mere three days' study of the score, Della Jones struck off the high-minded fervour of the heroine splendidly. Though everything in the role lies within her range, the tesitura is centred uncomfortably low: that did not dampen the intensity she brought to all her music, especially not the long, gripping account of the tyrannicide, which Mozart makes a whole rapt transport. (Mature Mozart can be heard in the oratorio only with the ear of faith, but Judith's first aria does suggest the elevated cut of the *Zauberflöte* music, and Miss Jones found the right tone at once.)

Metastasio made Judith's own national leader Ozias and an Israelite noblewoman Amital symbols, respectively, of excessively comfortable trust in God and of insufficient faith; Philip Langridge's expressive tenor suggested interesting frailties in the one, and Sheila Armstrong—in marvellous voice—turned the music of the other to brilliant and heartening effect.

David Thomas made something pungently individual of the wavering Ammonite, to the benefit of the oratorio's didactic dying fall. There are two priestesses, one an extended supporting role to which Helen Walker lent confident substance, and the other a sort of Greek-messenger part with a single fierce aria—pre-echoing Electra's Parthian shot in Idomeneo—which Elizabeth Lane made tell with a fine abrasive edge.

The Christ Church acoustic put a flattering halo around all the voices, and the choral work was sterling. Mr. Hickox's orchestra, a trifle wind-heavy, supplied majestic accompaniment. Beyond a doubtful between-two-stools tempo for the final number and two or three ungrammatical phrase-ends from Miss Jones, there was really nothing to quibble over; this was a distinguished and instructive revival.

Elizabeth Hall

Ortiz/Rogé

Either Pascal Rogé or Christina Ortiz would have filled the Queen Elizabeth Hall comfortably for a solo piano recital on Sunday afternoon. But together, playing works for two pianos, the house was barely two-thirds full; a comment on the popularity of the two-piano repertoire perhaps, or on the medium itself, which provides the listener with an uncomfortably shifting focus and too many textures that the ear alone cannot disentangle.

Miss Ortiz is best known for her performances of early 20th-century piano music, and Mr. Rogé for his Debussy and Ravel; it made curious sense, then, for their recital to begin with Mozart's D major Sonata K.448 and to follow that with Brahms (the St. Anthony Variations), an early Skryabin fantasy and Rakhmaninov's second suite. The Mozart proved consistently unilluminating. Miss Ortiz took the first part, and her edgy tone set the lines in relief to Mr. Rogé's more ingratiating, rounder sound; but all opportunities to gild or inflect even sequential passages were declined. Perhaps the performers had more pressing concerns than rubato; the sonata is well furnished with unison lines for the two instruments, and a number of these emerged fluffy at the edges, as though spurious grace notes had been scattered liberally through the score.

Some measure of unanimity and poise was gained during the Brahms Variations, despite some unfathomable rushes of rubato; the more dashing variations made a brittle, nervous effect and the *Grazioso* interlude before the finale was carefully graded. Why, though, were variations detached when the composer quite specifically requests continuity in some places? Skryabin's fantasy is a monstrous piece of note spinning, the surviving fragment of an adolescent project for piano and orchestra: Miss Ortiz and Mr. Rogé could not prevent the textures from becoming quite saturated, though their performance could not be faulted. Rakhmaninov's second suite, however, could and should have more air in it.

ANDREW CLEMENTS

Kate Greenaway medal award

Jan Pienkowski, illustrator-author of 36 children's books, has won the Kate Greenaway medal, presented by the Library Association, for his "visual-audial" book, *Haunted House*, published by Heinemann at £4.50.

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Lowering UK's oil sights

THE LATEST Government report on UK oil and gas resources, the so-called Brown Book, provides a timely reminder of the cost — in human and economic terms — of bringing Britain to the enviable position of being virtually self-sufficient in these two vital fuels.

More than 100 lives have so far been lost in offshore operations; another 405 have been seriously injured. Cumulative investment to date is estimated at over £15bn in 1979 prices. Last year the offshore oil and gas industry spent about £2bn, roughly 6 per cent of total UK investment. But if the cost has been immense, the rewards have been even more impressive. In 1979 the sales of home-produced oil and gas amounted to over £6bn. Government revenues in the 1979/80 financial year are estimated to have been £2.2bn.

Assumption

It is tempting to speculate that the wheel will keep spinning; that oil and gas will be produced at ever increasing rates and that the country will become richer and richer — or, to be more realistic, less and less poor. It is a dangerous assumption, as a re-reading of past Brown Books illustrates.

In 1974 the Energy Department, then in embryonic form, estimated that offshore operators would be producing between 100m and 140m tonnes of oil annually by now. Two years later the 1980 estimate was trimmed to 95m to 115m tonnes. Two years ago, in 1978, it was reckoned that this year's output might be in the range of 90m to 110m tonnes. The latest Brown Book forecast is 80m to 85m tonnes.

All being well the milestone of oil self-sufficiency will still be reached later this year—the target set back in the early 1970s—but this remarkable achievement will have been made possible as much by demand restraint as by production increases. If demand had grown at the rate envisaged five years ago, self-sufficiency might have been postponed until 1982.

"The pattern of oil production so far has served to underline the difficulties of making accurate forecasts of production in the years ahead," reports the Energy Department. It accepts that technical and weather difficulties have combined with problems of reservoir performance to delay the overall expansion of North Sea oil production.

Experience to date carries a warning for the future. Those expecting (or hoping) that the UK will be a large net exporter of crude oil in the coming years may be gravely disappointed. The delays have already shaved off some of the hump of surplus production, acting as a natural depletion policy. Who is to tell what future problems will occur? We are told by the oil industry that the biggest fields were found first; that it will take the development of many small fields to replace the output from the depleted first generation of UK oil fields. Thus the scope for problems would seem to increase rather than lessen with time.

Against this background the Government is right to adopt a cautious wait-and-see stance over depletion policies. Mr. David Howell, Energy Secretary, has said that the policies, when defined, will be flexible. They will be aimed at maintaining the period of self-sufficiency as long as possible—hopefully well into the 1990s—without causing too many economic or technical problems in the meantime.

With this in mind the Government has redrawn Britain's production profile over the coming few years. Last year it estimated that the minimum production level in 1982 and 1983 would be 115m tonnes annually. The latest Brown Book puts the minimum level of output at 95m tonnes a year—just enough to satisfy domestic demand (about 90m tonnes) and to meet the International Energy Agency commitment on net exports (5m tonnes annually by 1985).

Exploration

At the other extreme, the Government sees the possibility of oil companies producing up to 130m tonnes in 1983 (last year the estimate was 140m tonnes) although it is a moot point whether this level of output could, or should be achieved. It must be in the long-term national interest to keep output as close as possible to self-sufficiency.

Above all else, the Government and industry must push ahead with new exploration and development activity if the UK is to avoid returning to a position of net oil importer within the next 10 years or so.

Bad timing for the U.S. Budget

WITH A blithe disregard for its own resolution, only a fortnight old, promising a notionally balanced Federal Budget for 1980-81, Congress is now pressing President Carter for a commitment to tax cuts. In an election year, and in face of a steep recession and rapidly rising unemployment, this development is not in the least surprising. All the same, the consequences for U.S. economic management a year from now could prove decidedly unfortunate.

The political background is a simple auction. Mr. Reagan, the Republican candidate, is a hardened advocate of tax-cutting, and can look back with some complacency to the dynamic performance of the Californian economy after a referendum enforced his doctrines rather dramatically. He has in fact retreated somewhat from his initial call for a 20 per cent reduction in personal taxes, as his advisers have persuaded him that the problems of a national economy, with a monetary policy and a problem of external balance and external currency values, are somewhat more complex than those of a single state.

Danger

Nevertheless, the Republicans remain the tax-cutting party, and their Democratic opponents are reluctant to leave them in possession of such a slogan: while Moscow claims that the election is being fought on rival anti-Soviet platforms, running against taxes is still more popular. President Carter has so far persisted with a stonewalling refusal to discuss the question until more evidence on the economy becomes available; and he is also anxious that any tax cuts which he may concede should be biased towards the supply side of the economy, designed to encourage investment and productivity growth rather than to boost consumer demand. It seems unlikely, though, that a President under such pressure can maintain his conservative fiscal stance into the closing stages of the campaign.

There seems a clear likelihood, then, that taxes will be cut in the fiscal year which starts in October: and there is an increasingly apparent danger that such a cut, whatever precise form it takes, will prove sadly mistimed. The fiscal background is certainly not encouraging. The Federal deficit in the present financial year is now expected to reach at least $45bn, and possibly a good deal more—getting on for double the $28bn deficit planned last year. It is also admitted that the planned "balanced" Budget for next year will in fact result in another large deficit, as activity and revenues fall behind forecast levels, and welfare spending expands.

This is in itself no bad thing: the U.S. system of high-employment budgeting, based as it is on a realistic assessment of employment potential, provides an automatic fiscal stabiliser. For that very reason, however, there is little need and little room for fiscal fine tuning.

Recovery

Successive Administrations have developed this system simply because the slow and hazardous process of Budget-making in the U.S. is completely unsuited to be an instrument of cyclical management. This bad timing, and the fact that a large part of the public sector is barely under Federal control, has always thrown the main burden of short-term control on to the monetary authorities.

The Fed, which is giving a dramatic demonstration of a new style of monetary management, in which interest rates have dropped precipitously under the impact of recession, will hardly welcome a sudden fiscal lurch. There is hope that, thanks to the brevity of the credit crunch, recovery from the present recession will be relatively rapid. Investment spending still appears to be holding up, and the recent worsening of the balance of payments, coupled with heavy foreign support for the dollar, argue for the caution which the President is trying to display.

The danger, then, is that a tax cut will become effective just as domestic demand is recovering spontaneously, with an enhanced Federal deficit filling the gap in borrowing which has resulted from greater caution on the part of consumers, and the stage could then be set for a replay of the currency and credit crisis of recent months. Election fever in an unmanageable Congress will then have left a sad inheritance for what will certainly be a more conservative successor, whatever party labels may be worn.

Unemployment will rise . . . and rise

BY ANATOLE KALETSKY

HOW MUCH unemployment can Britain stand before the social fabric begins to collapse? This is the main question that Ministers should be asking themselves on Thursday when they gather for a special Cabinet meeting called to discuss the Government's economic policy. For if there is one near certainty about the course of economic events in Britain during the next few years, it is that unemployment will rise inexorably from the post-war record of 1.6m it hit last week to well over 2m some time before the next general election.

The Government's strategy may well achieve its primary objective of conquering inflation. It may even succeed in liberating a new spirit of enterprise, which will invalidate all the assumptions which underlie the gloomy economic forecasts that Ministers do not accept. But no Government can alter the laws of arithmetic. And nothing more than simple arithmetic is required to see that unemployment will get much worse before it gets better—indeed that in the short term, unemployment must rise all the more rapidly if the Government's economic policies are to succeed.

There are three reasons why the Government's economic plans must inevitably allow for a steep rise in unemployment. Two of them—monetary restraint and productivity growth—are among the Government's own most important policy targets and are seen as necessary conditions for Britain's eventual economic recovery. But it is because their immediate employment consequences will come on top of worldwide structural changes which are already creating mass unemployment even in other, healthier economies, that the outlook for Britain is so worrying.

To understand what, if anything, the Government could plausibly do to alleviate unemployment, without rejecting its whole economic philosophy, it is worth examining the causes of unemployment from the Government's own standpoint.

The arithmetic of productivity growth is simple: If government policy succeeds in squeezing any productivity growth at all out of the British economy over the next two years, then unemployment is bound to increase sharply. Trends in consumer spending, investment and destocking make the forecasting consensus—a 2 to 3 per cent decline in output this year, followed by a further decline in 1981—a near certainty. Under these circumstances only an equal reduction in productivity could prevent a fall in employment.

Some reduction in productivity is, in fact, inevitable this year. At least until the advent of the great transformation in economic attitudes which the Government is expecting, productivity will continue to move roughly in step with the growth in GDP. However, tough monetary policy will probably limit the fall in productivity during the present recession to much less than the 3.2 per cent decline of 1974-75.

The London Business School forecast published yesterday predicts a fall of only 0.1 per cent in productivity during 1980 and 1981, compared with a 2.7 per cent decline in output.

The evidence that employers who protected their workforces against the full effects of the last recession, are now shedding labour with a vengeance is visible in the newspapers daily. This is a predictable, and in many ways desirable, consequence of the monetary squeeze which industry is now suffering.

But a creditable productivity performance at a time of falling output inevitably has a dire effect on employment. Thus the LBS model, which reflects most closely the sort of assumptions about money, inflation and output that the Government believes in, shows a 1.1m decline in employment, between 1979 and 1983.

A 1.1m fall in employment would leave 2.3m jobless in 1983, assuming there is no growth in the labour force. But demographic projections made in the late 1970s suggested that the labour force would actually grow by about 200,000 annually between 1976 and 1982, as the early 1960s boom babies turned into teenagers. If this growth happened, it could take unemployment over the 3m mark, even assuming that the Government's policies were broadly successful in containing inflation and achieving their other objectives. Fortunately, the labour force seems to have stopped growing since 1978, for reasons which are not yet entirely certain.

There has probably been a fall in women working as jobs have become difficult to come by and early retirement has certainly become more widespread. Thus the denial of job opportunities to women and the old must be added to the other more obvious unemployment costs of the economy's productivity improvements.

The cause of unemployment does not, of course, lie in the productivity improvement itself, but in the latter's coincidence with economic stagnation. The Government's dilemma is that low productivity is the root cause of Britain's economic ills, but in exhorting industry to boost productivity at a time when output is falling, it is demanding the unprecedented, if not the impossible.

Since 1955 Britain's productivity growth has never exceeded GDP growth for more than two years running (see the lower graph). International experience, too, suggests that it is extremely difficult to keep productivity rising faster than output (see lower table).

Since 1973 only Japan and Germany have achieved this, the latter by repatriating guest workers.

Whether productivity and output normally move together because output growth enables productivity to improve without endangering employment, or because productivity growth permits output to rise without causing inflation is one of those chicken and egg problems which have made rich men of economic gurus.

Mrs. Thatcher has certainly taken on a daunting challenge in promising to revive Britain's productivity performance without at the same time underwriting output growth by appropriate monetary and fiscal policy.

It is this refusal to stimulate output growth by the "self-defeating" tricks of demand management that is most often blamed by the Government's critics for the looming unemployment crisis. The arithmetic of monetarism, like that of productivity, is apparently straightforward. The Government has found, to its dismay, that monetary restraint is not an automatic miracle cure for inflation. In the absence of any direct mechanism to guarantee a reduction in inflation, the monetary ceiling merely ensures that real output falls so as to reconcile (say, in the past year) 22 per cent inflation with an 11 per cent monetary target.

In recent speeches Ministers have warned wage bargainers about this "transmission mechanism" between money, wages and unemployment. This has at times given the impression that unemployment may actually have become a deliberate objective of Government policy, as the only available weapon to dragoon workers into moderating their pay claims. Sir Keith Joseph, the Industry Secretary, told the BBC on Sunday: "Some rise in unemployment is completely unavoidable. Some workforces, some trade unions, are pricing their own members and other people out of jobs."

Several labour market studies, including a recent one by the National Institute, suggest that this linkage is not as strong as the Government perhaps supposes.

But true monetarists would not, in any case, be concerned by this. Even if wage bargainers do not respond to monetary targets, inflation will still come down as the fall in demand prevents employers from raising purices, if necessary by driving the inefficient ones into bankruptcy. On the way, there is likely to be a massive economic rationalisation, leading to higher productivity to match the workers' pay settlements. This process, with the consequent redundancies, seems to be going on in Britain at the moment.

The Government is most likely to be concerned with the level of unemployment that results after several years of monetary stringency have brought inflation down to an acceptable, and stable, level, rather than the level during the transition period.

Nobody knows what this "natural" or "equilibrium" level may be, or how far real wages and productivity will share in the adjustment to this level. But the central message of monetarism is that it is ultimately futile, and immediately harmful, for a government to try to influence this level through demand management.

Does this mean that the Government can do nothing to reduce unemployment, even if this settles at well over 2m, without abandoning all its economic theories, and that this kind of economic waste will have to be tolerated for the indefinite future? This gloomy view would have been inconceivable 10 years ago, but looking around the world, it becomes clear that Britain's unemployment problems are shared by most other industrial countries and are certainly not simply products of a doctrinaire monetarist government.

The top table shows how unemployment rates have leapt in the seven leading industrial countries since 1972, which suggests that there is something like an underlying "natural rate" which has changed dramatically throughout the world since the era of low unemployment in the 1950s and 1960s.

Unemployment rates have leapt in the leading industrial countries

There are a number of plausible theories about structural changes in the world economy since 1973 which could account for a great part of this transformation in the "natural" level of unemployment. The most fundamental, put forward, for example, by the Bank for International Settlements, suggests that the total transformation in the relative prices of labour, capital and raw materials that occurred in the wake of 1973 has so altered the profitability of many production processes that much of the western world's pre-oil crisis plant and equipment has become obsolete.

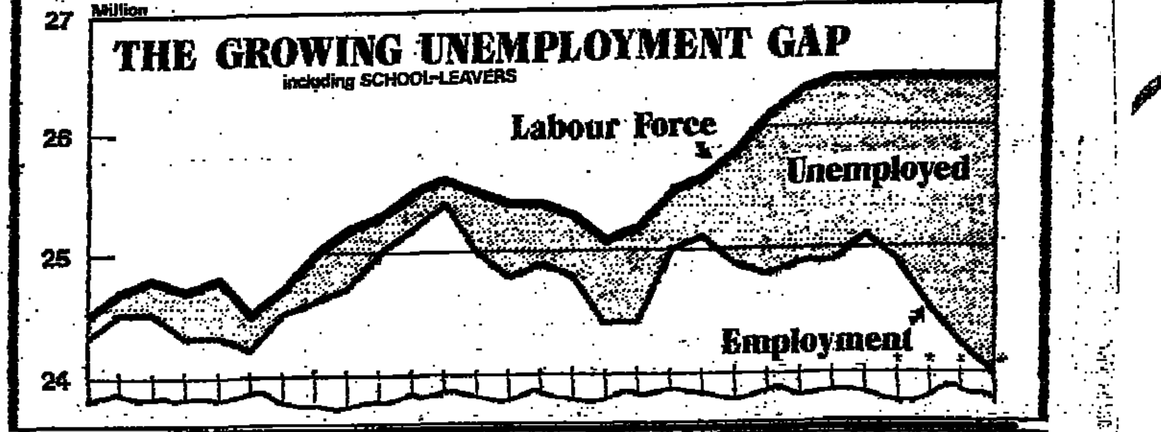
The need for large-scale re-equipment of the steel and car industries in America, for example, is a reflection of the high costs of energy and other resources. The relative scarcity of capital equipment and of natural resources is reflected in the striking fall in labour productivity growth that has occurred round the world since 1973 (see the lower table).

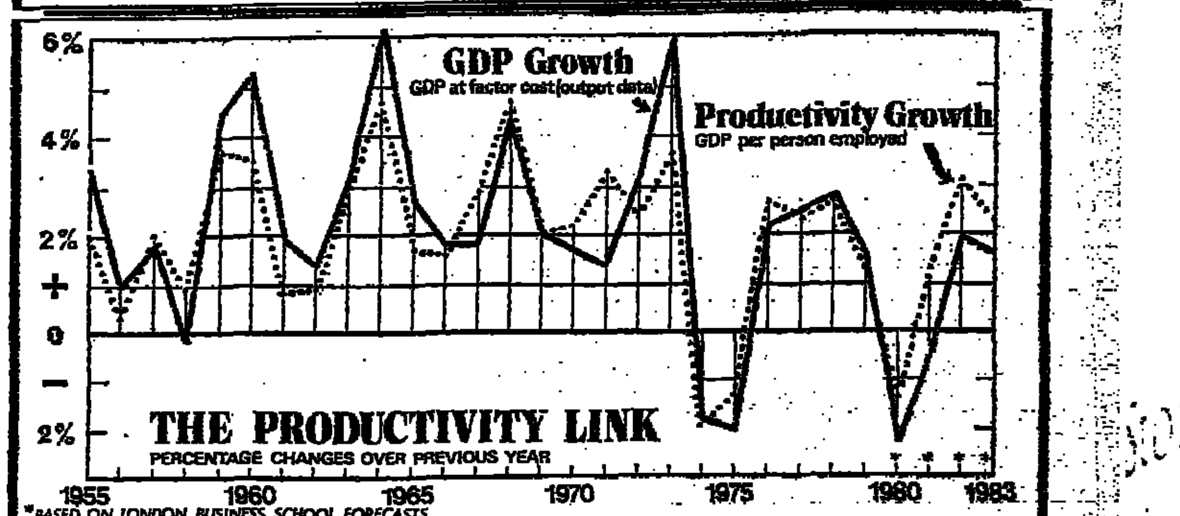
The importance of these trends is not just that they have favoured low labour-cost developing countries in world markets for many products. More important, they have introduced great instability into the patterns of international and domestic trade, by concentrating in a few years relative price adjustments that might have been spread over decades. Adjustments to new trading patterns in labour markets, are naturally slow and fraught with political dissension, since it is human lifestyles, not merely product movements, that are being altered.

The suddenness and severity of the adjustments required have probably turned what were once relatively minor causes of short-term unemployment, such as geographic immobility, into much more significant factors. Occupational immobility — workers' unwillingness or inability to learn new skills and abandon their previous employments—is quite analogous to the reluctance of businessmen to invest in new machinery or branch out into a new line of business in a period of economic hardship. This reluctance is almost certainly the greatest cause of permanent unemployment.

The British Government's reluctance to interfere with market forces has made it very wary of following many Continental governments and instituting so called "positive adjustment policies," aimed at encouraging both labour and capital to adapt to the changing world economic order. However, in the employment field particularly, it would be easy to reconcile a greater degree of government involvement in retraining with a generally free enterprise outlook. Retraining, like education is to a certain extent a public good and is most important to those who can least afford to pay for it.

Whether a larger retraining programme could make any significant impact on unemployment in the immediate future is questionable. But the Government, whatever its natural predisposition is likely to feel it must do something in this area as unemployment rises.





RISING UNEMPLOYMENT ROUND THE WORLD

Percentage unemployment rates

	1980	1957-78 average	1957-78 highest
Italy	7.8*	4.0	8.2
U.S.	7.8†	5.0	6.8
Canada	7.5*	5.5	7.1
France	6.6†	1.6	2.7
UK	6.3‡	2.2	3.8
Germany	3.3†	1.4	3.7
Japan	2.1*	1.1	1.5

* April † May ‡ June (prov.)

THE COLLAPSE OF OUTPUT AND PRODUCTIVITY GROWTH

(average annual percentage changes)

	1960-73 GNP	1960-73 Productivity	1973-79 GNP	1973-79 Productivity
Japan	10.2	8.8	4.1	4.7
France	5.7	4.9	3.0	2.8
Canada	5.6	2.5	3.1	0.3
Italy	5.1	5.6	2.8	1.6
Germany	4.5	4.4	2.4	3.2
U.S.	4.1	2.1	2.5	0.2
UK	3.2	3.1	0.8	0.7

Source: BIS Annual Report, 1980

MEN AND MATTERS

Ball bounces up at L & G

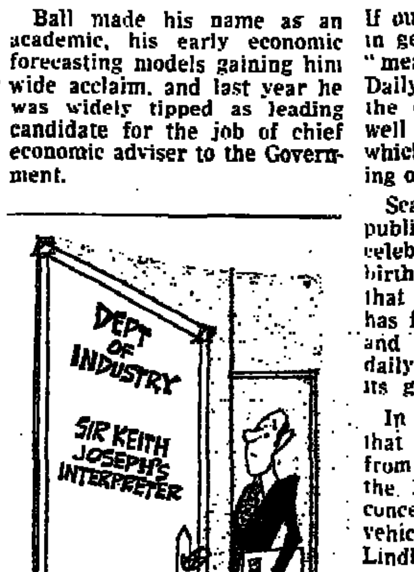
Professor Jim Ball, principal of the London Business School, told me yesterday of the time he was put firmly in his place by a newspaper. He was interviewed recently with a view to his being listed among the names to be watched during the new decade. "I read the paper, and I could not find myself," he said. "But I was looking under academics and they had put me in with the businessmen."

Fair enough in the black and white world of newsprint. But in reality, the professor defies pigeonholing. I thought I had him placed when I heard he had been appointed for a further five years as the head of the LBS, only to be confounded yesterday by the news that he has been elevated at the age of 46 to be chairman of Legal and General Assurance.

Ball made his name as an academic, his early economic forecasting models gaining him wide acclaim, and last year he was widely tipped as leading candidate for the job of chief economic adviser to the Government.

He appears, however, to be quite content straddling the blurred area between the realms of Academe and the world of business. As an associate puts it: "I think he is best classified as an academic entrepreneur . . . something of a wheeler-dealer in his way."

For a man recognised for his forthrightness—two years ago he launched a masterly attack on the Treasury's lack of openness—I found him somewhat restrained. The Legal and General, he explained, was "a conservative organisation," and no, he could not discuss with me his ideas for the future of this financial giant. Not even the pressing questions of the moment, raised in the Wilson Committee report. "In any case," he confessed, "I haven't read it yet."



Happy birthday

If our serious daily newspapers in general provide us with the "meat" of world events, the Daily Telegraph stands out as the one which provides us as well with the condiments with which to season our understanding of the great happenings.

Scanning through the booklet published this week by way of celebration of the paper's 125th birthday, I was pleased to note that for most of its history it has found room for the quirky and illuminating asides which daily lighten my path through its grizzled columns.

In 1886, for example, I learn that a gentleman who emerged from a ride in a barrel over the Niagara Falls was mainly concerned with stabilising his vehicle with extra fins. Charles Lindberg flew the Atlantic with no radio, no parachute, and only a "large knife and a pair of pliers" to keep his spirits up.

And there were stories in Victorian days which even now excite as much concern in British breasts as they did then. From the July 11, 1877 edition: "A colorado beetle was discovered on the Dublin quays yesterday by a gentleman. It was crawling up a rope from one of the Liverpool vessels on to the land."

Long shot

Michael Heseltine may be applying a merciless squeeze on the free-spending councils under his aegis, but let no one accuse him of short-sightedness. Solicitous of the concerns of future generations of archaeologists, Heseltine's Department of the Environment has promised some £14,000 for the erection of a 20th century tumulus.

The London borough of Newham, planning a park close to the Royal Docks found its scheme for a pitch and putt course marred by a hazard left over from the last war—an anti-aircraft gun emplacement. At first the council wanted to demolish the structure at a cost of £5,000. The Inspectorate of Ancient Monuments, on the other hand, decided that it should be preserved and volunteered the extra funds for the burial.

"It doesn't look that interesting," says a borough spokesman. "Sort of stone-hengish, but it's really just crumbling blocks of concrete."

The council, I hear, is now wondering if the Minister might care to offer more money for a similar exercise in Stratford where it has two faulty tower blocks which would surely provide rich diggings for our inheritors.

Sneak preview

An endearing tale of British diplomatic resourcefulness wings its way back to me from the ASEAN foreign ministers' summit in Kuala Lumpur. Although several western countries had sent "observers," no EEC member nation saw fit to do so. The pique of the ASEAN ministers overflowed the customary diplomatic channels, to the extent of making it all but impossible for any representatives of the various European countries to get anywhere near the conference.

The British were, however, not to be outwitted. Among the faces at the conference's closing press conference was that of our acting high commissioner. How had he scaled the illustrious heights of press accreditation, asked my man on the spot.

Easy, he said. The secretariat, perhaps bewildered by the represenatives of Time, Life, Now! and other abstract entities, had not raised an eyebrow when the commissioner said he was representing Self.

Money spinner

If being all things to all men is the secret of success, National Savings latest offspring, Mr. Melvin Moneyspider seems to have it made. Melvin stars in a new £4m advertising campaign designed to drum up support for premium bonds, savings certificates, the NSB investment account and the like.

Unlike Buzby, Melvin is a strange cultural mixture between self-made Northerner and Southern toff. While his Macclesfield accent suggests the chummy little chap has never been within 100 miles of the capital, his appearance—gold watch chain, monocle, carnation and MCC cravat—is that of the well-travelled gent more at home in a London club.

His schizoid persona, however, does not appear to worry the advertising agents who spawned him. "We gave him a North West accent because in the trade Yorkshiremen are felt to speak a little harshly," I am told. "The Lancashire/Cheshire voice is a bit kinder. At the same time, although we found working men initially suspicious of his appearance, we discovered that many of them would go for similar trappings once they made their million."

Observer

FINANCIAL TIMES SURVEY

Tuesday July 1 1980

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FINLAND

Two years of rapid growth, which followed three of stagnation and inflation, show signs of coming to an end. There are fears that the coalition government of D. Mauno Koivisto may not be able to act in time to stop the economy overheating, with a consequent loss of competitive advantages.

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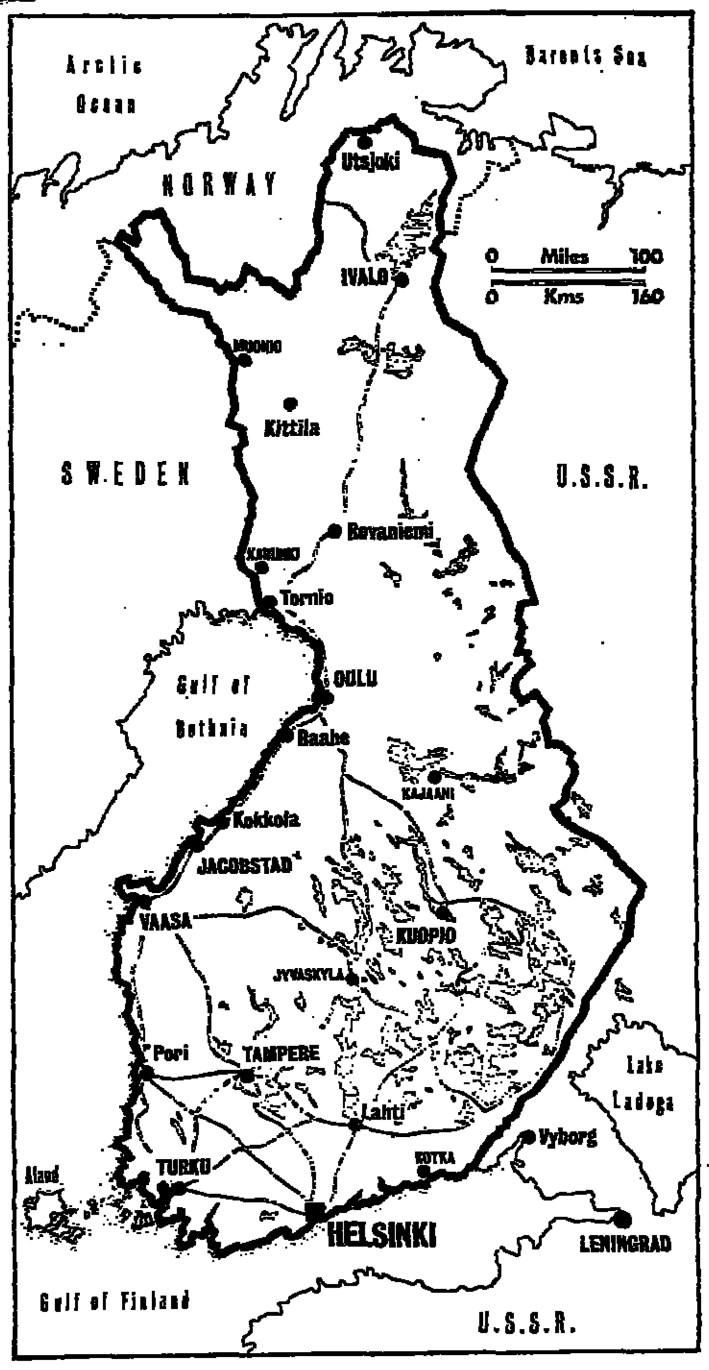

Stormy winter lies ahead

By William Dullforce
Nordic Editor

FOREIGN businessmen, particularly Americans, often remark on the slowness with which the Finns make up their minds. A snap decision is not typical of them, at least in dealing with foreigners. More intrinsic is the measured, sometimes ponderous appraisal of the situation or offer. Their attitude is by no means niggardly, but rather one of deliberate caution.

No doubt this trait could be plausibly explained by climate and heredity. The history of Finland's six decades of independence suggests more convincingly that it results from acquired experience of a volatile, external world to whose influence the country is deeply exposed both economically and politically.

Few modern industrialised states depend so much on foreign trade movements as Finland. Few feel themselves so vulnerable to changes in the international political climate. The Finns need plenty of psychological ballast.

For the past two years, Finland has enjoyed the fastest economic growth among the OECD countries. But this boom has come after a three-year period during which the country experienced almost no growth and some of the highest inflation and unemployment rates in the OECD area.

Indications of renewed inflation and an anticipated slackening of demand from the country's foreign markets are now making new claims on economic policy at a time when the Left-Centre coalition Government of Prime Minister Mauno Koivisto, having survived this spring by the skin of its teeth, is facing a harsh political winter.

Nevertheless, it is the deterioration in the relationship between the United States and the Soviet Union and the effects of this change within Europe that are causing most concern in Helsinki at present. Finland has a vested interest in superpower detente and in promoting the movement towards peace and disarmament in Europe.

Three disturbing events for Finnish foreign policy have occurred within the past nine months. They are the entry of the Soviet armed forces into Afghanistan, NATO's decision to go ahead with the modernisation of its tactical nuclear weapons in Europe and the negotiations between Norway and the United States about the advance storage in Norway of heavy military equipment for the use of American reinforcements in the event of a crisis.

The Soviet invasion of Afghanistan in December was a severe shock for the Finns. Moscow had from time to time in official statements linked Finland and Afghanistan as "neighbouring, non-aligned countries" with whom the Soviet Union entertained good relations.

The Russians justified the Red Army's move into Afghanistan by referring to a clause in the 1978 treaty between the two countries stipulating that they should consult and agree on suitable measures to guarantee their joint security, independence and territorial integrity.

The Finnish-Soviet treaty of 1948, which has become the cornerstone for Finnish foreign policy, provides for military consultations between the two countries, should either be exposed to a threat from Germany or any state allied with Germany.

No parallel

After the initial shock, the Finns quickly convinced themselves that no parallel existed between the treaties and, even more importantly, between Finland's geopolitical status and that of Afghanistan.

Finland abstained from voting on the United Nations' resolution condemning the Soviet invasion of Afghanistan. Finnish political leaders have, however, publicly called for the withdrawal of Soviet forces from Afghanistan.

The NATO decision to produce and deploy Pershing Two and Cruise missiles in Western Europe is highly regretted in Helsinki. Any escalation in nuclear capability or increase in military tension in the area poses a threat to Finland's national interests, but, as President Urho Kekkonen first suggested in a speech in Stockholm in 1978, the Cruise missile could be a special problem.

The main characteristic of this weapon is that by hugging the ground it slips under the opposing radar network. The Finns fear that Cruise missiles may be deployed to pass across Finnish territory to targets in the Soviet Union.

If that should happen, the Russians might well seek to apply the 1948 Treaty and call on the Finns to provide a defence, possibly in cooperation with Soviet armed forces, against the Cruise missile. The Finns have received assurances from the U.S. that there is no intention to violate Finnish air space and so far, it appears, there has been no pressure on this matter from Moscow.

On the other hand, the Soviet press has waged a campaign against Norwegian plans to prestock equipment for the U.S. Marine Corps in Norway. Finland is not directly involved but is, as always, sensitive to any development in Northern Europe which raises tension and could provoke a Soviet reaction in Finland.

On the economic side, the importance of Russian trade for Finland was underlined this year. The Russians agreed to increase their purchases from Finland by some FMk 3bn ($785m), to balance the increased price of the oil they supply.

The larger Russian orders are helping several branches of Finnish industry to continue working close to capacity this year and promise to even out the slump expected to occur in Finland's Western trade next year.

The main danger for the economy is over-heating and the big question is whether Dr. Koivisto's coalition can command enough internal cohesion to act in time. So far its deflationary measures have been flawed by political compromise.

There is some irony in the situation. As Governor of the Bank of Finland, Dr. Koivisto practically forced on a similar Left-Centre coalition, led by his Social-Democratic Party chairman, Mr. Kalevi Sorsa, from 1975 onwards, the stabilisation policy which successfully prepared the Finnish economy to take advantage of the improvement on its foreign markets from the middle of 1978.

As Prime Minister, Dr. Koivisto has had to play the political game of give-and-take with his coalition partners, the Centre Party, Communists and Swedish People's Party. Some leading politicians feel he has been inept at this game and reproach him for lack of leadership and indecisiveness.

Popularity

Nevertheless, the Koivisto Government has lasted longer than many commentators forecast when it was formed in May, 1979 and is fairly certain to hold together through the October local elections. If the Conservatives, who were left in the cold last year despite the gains they made in the General Election, make further advances in October, there may be renewed pressure for their inclusion in a reshuffled Cabinet.

However strong the criticism of Dr. Koivisto's premiership may be within Parliament, it has not affected his popularity with the people. The latest opinion poll, asking Finns whom they would like to see as their next President, placed him well ahead of all others, including Dr. Kekkonen, the current, long-serving holder.

Dr. Kekkonen has been President for 24 years. He celebrates his 80th birthday this year. He is expected to retire at the end of his present term in 1984, although some politicians have reservations on that point. The battle for the succession to this powerful post, from which Finland's foreign policy is controlled, supplies the ferment in Finnish politics and party tactics are already geared to the presidential election.

The fate of the Koivisto Government is involved because Dr. Koivisto's sustained popularity is beginning to persuade the Social Democrats that, loner and maverick as he may be, he offers their best chance of depriving the Centre Party of the Presidency. The implication is that, as long as Dr. Koivisto wants to make the Premiership the base for his Presidential bid, the party will have to remain in the coalition instead of withdrawing and bringing it down, as party leaders thought of doing earlier this year.

The change in the leadership of the Centre Party last month adds a further twist to the plot. Dr. Johannes Virolainen, Speaker of the Parliament and Centre Party leader for 16 years, was narrowly beaten for the chairmanship by the 33-year-old Foreign Minister, Mr. Paavo Vayrynen.

But Mr. Vayrynen's arrival at the helm has probably reinforced the candidature to the Presidency of Dr. Ahti Karjalainen, once Dr. Kekkonen's political secretary and several times Premier and Foreign Minister. In one of those odd quirks of Finnish politics, Dr. Karjalainen is currently acting Governor of the Bank of Finland, having moved up when Dr. Koivisto took over the Prime Minister's office.

The political scramble is almost bound to clutter up economic policy. Several Finnish economists feel there has already been too much delay and hesistancy in reacting to the indicators that inflationary pressure is building up. The Government has to prepare the ground for a low pay settlement early next year.

The risk is not only that in the short term Finland may lose the competitive advantages it gained in 1975-77 at the cost of considerable unemployment, but that the longer term diversification of industry needed to add stability to the economy may be held up.

Measures to prevent overheating may prove 'too little, too late'

The Economy

FINLAND HAD the fastest economic growth rate among the OECD countries last year and at the half-way stage this year promises to retain that position. Real GDP rose by almost 7 per cent in 1979 and, exceeding the forecasts made at the beginning of the year, appears to be set for a further 6 per cent climb in 1980.

This remarkable recovery follows a period of three years up to the middle of 1978, during which the economy stagnated and unemployment soared to around 8 per cent. The revival has been largely export-led, prompted by a stronger demand than anticipated from Finland's main Western markets.

This demand also held up longer than expected during the beginning of 1980 and in June Finnish industry was still working close to capacity. Moreover, a swift expansion in exports to the Soviet Union, in order to balance the rise in the bill for imported Soviet oil, is likely to keep production at a high level during the second half of the year.

Unemployment is forecast to fall to around 4 per cent by the end of the year, a level which given the peculiarities of the Finnish unemployment benefit scheme may not be far short of full employment. Labour bottlenecks are already appearing in some industries.

The question now is whether Finland is approaching that dangerous overheating of the economy, to which its reliance on foreign trade makes it susceptible and which resulted in annual increases in consumer prices of 17-18 per cent in 1974 and 1975. The OECD raised a warning finger in its annual survey of the economy at the end of 1979.

The warning has been reiterated by all the domestic forecasting institutions during the first half of 1980, as the inflation rate started to accelerate and the current account dived into deficit. Government economic statements have emphasised the need for an anti-inflationary policy.

Compromise

However, it is doubtful whether its actions have measured up to its stated intentions. The fiscal steps taken so far reflect political compromises within the ruling coalition and may well fall within the category of "too little, too late." The tightening of monetary policy by the Bank of Finland may also prove to be insufficient and to have been delayed too long.

It would be inaccurate to draw a parallel with the situation in 1974 which preceded Finland's worst post-war recession. And it is still too early to be sure that the Finnish inflation rate is diverging excessively from those of its main trading partners. But the risk clearly exists.

The long-term aims of the stabilisation policy operated in 1975-77 are also at stake. The intention was to correct the export industry's loss of competitiveness and to prepare the ground for an expansion in the industrial base. Industrial investment has picked up but has not yet returned to earlier levels.

The general trend in the Finnish economy in mid-June was still expansionary. Domestic demand was expected to increase by around 7 per cent this year, with a 4.5 per cent rise in private consumption and an expansion of at least 10 per cent in the volume of private investment.

Externally Finland was still continuing to benefit from the unexpectedly sustained demand from its market. Even the international political crisis appeared to be having a favourable short-term effect in that it had boosted raw material markets, prompted stocking and led to price changes which favoured the pattern of Finnish trade.

Last year exports grew by almost 10 per cent in volume while imports, stimulated by the recovery in overall economic activity, climbed by 18 per cent. The terms of trade declined by 2.25 per cent, less than in most other industrialised countries, and the current account slipped into a FMk 1.3bn deficit, which interestingly enough breaks down into a FMk 1.6bn surplus on the Western trade and FMk 2.9bn deficit with the East.

Trade forecasts for 1980 vary. Export growth is put within the 7-9 per cent bracket while more uncertainty is shown about imports, where volume growth predictions vary from 12 to 18 per cent. Finland anticipates a decline of about five per cent in its terms of trade, still less than that forecast for most other industrialised countries. The current account deficit is expected to plunge to FMk 6bn or slightly more.

Assuming no drastic change in economic policy, the prospects are that the current account deficit will stay at about the same level in 1981. At roughly 3 per cent of GDP, the Bank of Finland does not regard this year's deficit as particularly alarming, seeing it as the result of cyclical fluctuations rather than structural deficiencies.

However, if inflation continues to accelerate and to threaten the regained competitiveness of the export industries, the bank will undoubtedly take a more serious view of the deficit. Current estimates assume that the consumer price index will follow last year's rise of 8.6 per cent with a climb of 12 to 13 per cent this year.

This would be only marginally ahead of the average inflation rates forecast for the OECD countries. But the danger is that, while most other countries have already initiated tighter policies, Finland is lagging behind and the gap could widen significantly next year.

The key lies in wage drift developments and in the outcome of the next pay negotiations to replace the agreement which expires at the end of February. This year's settlement provided for average nominal pay increases of 9.5 per cent and in its recent economic package the Government set a target of 3 per cent for wage drift, above which industry *would not be allowed* to take out compensating price increases. However, this limit is not supported by any sanctions.

Inflation in Finland is largely imported. Wage drift usually starts in the pulp and paper companies, when they are selling well abroad as they now are, and spreads through the farmers selling timber to the rest of the economy. Wage developments are particularly powerful element in the inflation pattern.

In this context a worrying development this year was the strikes which broke out after the national pay settlement had been concluded and succeeded in winning extra pay increases for some branches, around 18 per cent in shipping.

The authorities have used two main instruments in trying to curb wage and prices rises: tax cuts and revaluations of the Finnmark. The tax concessions made by the Government during the past two years in return for wages rstraint undoubtedly contributed to the moderation shown by the trade unions. Similarly reductions in social security charges have helped to hold down price increases.

The revaluation theory, championed by the trade unions, has been less effective, partly because it became a focus for the political dissension within the Cabinet. Thus, the last devaluation by the Bank of Finland during the pay negotiations was too small and too late to influence the final settlement.

The Government has promised further adjustments to tax scales in 1981 but the growth in both the inflation rate and the current account deficit must reduce the scope for tax cuts and currency revaluations next year.

In May, the Cabinet agreed on an economic package designed to reverse the inflationary trend. It includes proposed postponement of about Fmks 1.2bn in public sector investments, the imposition of deposits on the income from timber and pulp exports and an 0.25 per cent charge on companies' payrolls to go to children's allowances.

Political aims

The export income deposit will take only FM 260m out of circulation this year. Independent assessors calculate that the postponement of public sector investments will reduce spending by no more than FM 500m while the supplementary budget tabled earlier in the year will probably add FM 1.6bn to spending and only FM 300m to income.

All in all, the Government's fiscal measures this year do not add up to a strong deflationary programme and within industry at least they are regarded as serving political rather than economic aims. This impression is reinforced by the inclusion in the latest package of an expensive pension scheme improvement, without any indication of how the extra costs are to be funded. At the vital psychological level people's expectations of inflation have not yet been quelled.

William Dullforce

BASIC STATISTICS	
Area	130,129 sq miles
Population	4.75m
GNP	FM136.66bn
Per capita	FM28,751
Trade (1979)	
Exports	FM43.4bn
Imports	FM44bn
UK trade (1979)	
Exports to UK	£794.5m
Imports from UK	£410.5m
Currency: £=FM8.5170	

Foreign competition could be added to the mix

Banks

THE BANKING scene in Finland has a number of peculiarities to intrigue the outsider. The Central Bank (Bank of Finland) is apparently quite independent of the Government, but the governor of the bank is currently on leave, doing a spell as Prime Minister, and his deputy, an arch-rival from the political arena, is filling in at the bank. The temporary governor is not in a position to decline his rival a loan, however, as the Government banks elsewhere.

It banks, in fact, with a large State-owned commercial bank, Postipankki, which is busily engaged, with some success, in winning market shares from the three privately-owned commercial banks, especially the two dominating banks, Union Bank and Kansallis-Osake-Pankki. These four compete with over 300 savings and co-operative banks, and altogether there are several thousand branches to serve a total population of just over 4m.

One thing that is not lacking is the cut and thrust of competition, and a new element may soon be added to the mix. Legislation which came into force at the beginning of this year makes is possible for foreign banks to set up in Finland for the first time. So far, none has applied, but according to the Bank Inspectorate, any banks of impeccable repute which apply for permission will be accepted. Foreign banks may not, however, set up branches in Finland.

Another curious feature is that advances to the public from the various banks normally exceed deposits from the public. This state of chronic excess demand for credit, as a Central Bank official put it, is met by credit quotas at the Central Bank and through the medium of the call money market.

Cut and thrust

The call money market was introduced in 1975 as a smoother and more efficient way of allocating credit than through quotas, which have to be applied to each bank individually. When credit demand slumped in 1976-78, quotas were run down almost to zero, but with credit demand picking up again the call money market is not considered adequate to meet the needs of the banks.

In February this year, therefore, credit quotas were increased from FM 200m to FM 1bn, but reduced to FM 900m in June. At the same time, penalty interest rates were introduced to discourage excessive borrowing. If borrowing exceeds five times the credit quota, a penalty charge of 4 per cent is imposed and at eight times quotas it rises by another 6 per cent, giving a marginal rate of 22.5 per cent.

The basic discount rate is 9¼ per cent and the average lending rates of commercial banks about 9¾ per cent. This is relatively low. One reason is that as the Finnish mark has been revalued slightly and there has been steady speculation of further revaluations, there has been no need to attract funds with higher interest rates.

Another factor is that Finnish borrowing for mortgages and corporate investment it not on fixed interest loans. Increases in the discount rate cause rises in rates across the whole range of loans. As investment decisions reflect the expected rate of interest over the whole life of the loan, it is not thought that short term changes in the discount rate have much influence on demand for investment credit. As rises across the board are thought to have inflationary consequences, interest rates are held under control.

The main worry among economists and businessmen in Finland today seems to be that wages and other costs and prices will get out of control, just as they did in 1973-75, causing a serious current external account deficit and inability to compete in export markets. One of the characteristics of the period was that for several years the gap between bank deposits and lending was extremely large.

The Central Bank played a key role in retrieving the situation on that occasion, bringing the growth of domestic credit into line with deposit growth and, on the external front, using its powers to control capital movements to see that capital inflows from abroad did not upset domestic credit control.

This explicitly monetary approach to the balance of payments was a factor in bringing the external deficit down from FM 8bn in 1975 to a surplus in the past two years, reducing the net foreign debt as a proportion of the gross domestic product from 22 per cent at its peak to about 15 per cent today.

There is a strong determination not to let things get out of control as they did in the mid-70s, but there is again a strong demand for credit, with advances exceeding deposits, and despite the slight tightening of the monetary stance this month, even the more monetarist of the Central Bank's economists does not believe that the bank can stand in the way of the realities of rising investment demand.

Nor on this occasion is the current external deficit regarded as a serious problem after the marked recovery since 1975 and no problems are expected in financing a renewed current account deficit.

The three private commercial banks, Union Bank, OAP and Bank of Helsinki, account for 44 per cent of advances to the public and State-owned Postipankki for another 12 per cent, with the remainder split between the savings banks, 24 per cent and the co-operative banks, 20 per cent.

Union Bank, assets at the end of 1979 Fmks 20bn, and KOP, assets Fmks 18.9bn, are by far the largest and they have the lion's share of the industrial business. In 1970, however, changes were made in Postipankki's status to enable it to compete on an equal footing with the other commercial banks in all kinds of business. It has managed to acquire a considerable amount of industrial business which Union Bank and KOP would once have expected to keep to themselves.

"Postipankki is a formidable competitor, but it is not eating into our business at an alarming rate," said Mr. Erik Stadigh, general manager of Union Bank's international division.

Competition is also hard in international business. Union Bank and KOP gained an early advantage as participants in the Nordic consortium banks. KOP joined with three other Nordic banks to set up Nordic American Bank in New York last year, and Union Bank is following suit this year. Union Bank opened a subsidiary in Singapore last year, the first Finnish bank to go there, and both have banks in Luxembourg. Postipankki so far has only a representative office in London, which it hopes will soon become a fully fledged bank.

Skopbank, the central bank of the savings banks, is the latest to take up the challenge, opening a representative office in London last year, which it also hopes will soon be able to become a bank.

Hilary Barnes

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Country will benefit from increased trade with Western Europe

Foreign Trade

THERE IS at a casual glance something paradoxical about Finnish foreign trade today. Whatever the small variations from year to year, two features dominate.

Firstly, Western Europe (the EEC plus EFTA) dominates as the market for Finnish exports and source of its imports. Secondly, the Soviet Union is easily Finland's No. 1 trading partner. Nearly two-thirds of Finnish foreign trade turnover is with West Europe, about one-fifth with the Soviet Union. Sweden and West Germany head the West European list, with the UK coming a bad third.

Sir James Cable, the recent British Ambassador to Finland, remarked: "There are unfortunately some (British companies) who believe that the Russians, the Swedes and the Germans have sewn up the Finnish market. These pessimists are wrong."

Energy and energy prices constitute the bugbear, of course, as in so many other countries. Finland has no indigenous sources of oil or coal, its economically harnessable hydropower resources are practically all in use. What it has left — if solar and wind energy are excluded—is peat, wood and biomass.

The potential of these residual resources is great, but the capital investment needed to convert them into viable alternative sources of energy supply is nothing short of enormous for this country which is, relatively speaking, capital-hungry.

Finland has to import some two-thirds of its energy requirements, and a good 60 per cent of this import supply comes from the Soviet Union (mainly oil and oil products, but also natural gas, electricity and nuclear fuel services: two of Finland's four reactors are Soviet-built and the fuel for the two Swedish-built reactors is enriched in the Soviet Union).

This dependence on the USSR for energy supplies is one side of the picture of Finnish foreign trade. The other is the special way in which Finnish-Soviet trade operates. In effect, it is a barter system. The two countries sign five-year framework trade agreements, and within this frame make detailed one-year agreements.

Balance

On the whole, the trade is supposed to balance over the five-year period, and, until the so-called oil crisis of 1973-1974, this was how things worked out.

Now, in 1979 for instance, the Finns find that their energy bill has increased by 60 per cent to Fmks 11.5bn (£1.36bn at the current exchange rate), 26 per cent of the total import bill, versus 22 per cent in 1978.

Approximately one-half of this increase in energy costs is payable to the Soviet Union, a matter of about Fmks 3bn. The Soviets have agreed that Finland can pay off some Fmks 1.8bn in goods this year and the remainder in goods and so-called project exports in the coming 18 months.

The alternative under the payments agreement with the Soviet Union would have been to pay the difference in convertible currencies, which would have meant borrowing abroad in the expensive Western financing markets.

The system works and works well as long as Finnish-Soviet relations are as amicable as they are. Finland could be in trouble if they turn sour.

Oil and other energy bills excepted, this country will still benefit from a real uplift in foreign trade with its main market, Western Europe. Exports to that area increased by one-third in 1979. The export performance is not expected to be so good in the current year, but nevertheless a respectable value growth of some 15 per cent is foreseen.

A point to be borne in mind here is that while the cyclical trend in Finland follows that of the Western industrialised countries, there isa lag of six to 12 months.

Thus, Finland is enjoying in 1980 the tail-end of a period of expansive demand in the West European market. It is also profiting from its investment splurge of 1973-74 which left it with surplus capacity that it has now been able to utilise. In fact, both in the forest industry (wood, pulp, paper, paperboard and converted products) and in the other main export-oriented sector, metal and engineering, industry has been working at virtually full capacity.

The metal sector is slower to react to upswings and downswings in foreign demand, largely because its deliveries are spread over a longer period, but its order books are beginning to look healthy now while the No. 1 exporter, the forest industry, is anticipating a decline.

Handsome surplus

"There are on the whole no major changes in the trends of Finnish foreign trade in sight in the immediate future," said a senior official in the commercial department of the Ministry for Foreign Affairs. Exports to the EEC in 1979 increased by 32 per cent, leaving Finland with a handsome trading surplus of Fmks 259bn. The position with EFTA was similar: exports increased by 23 per cent and the surplus was Fmks 1.64bn.

But these promising results were partly due to exceptional factors, not least the unexpectedly sharp increase in paper group exports and the relatively slow growth of non-oil imports as investment activity in Finland did not gain appreciable momentum until the end of the year.

Finland is unlikely to maintain a surplus in trade exchanges with the Common Market, at least not of this size. The total trade deficit for 1979 was only Fmks 615m, but this compares with a surplus of nearly Fmks 3bn on 1978.

Following the familiar cyclical pattern, investment is expanding and this growth is being reinforced by a rising trend in consumption. The result is that non-oil imports are increasing at a much faster rate than exports, and the external balance is expected to show a deficit of at least FM 5bn this year and probably as much again in 1981.

This is not a matter of real concern, though the economic policy decision makers are speaking of over-heating of the economy, tightening the money market, and trying to persuade industry to postpone investment projects at least until next year.

Most branches of industry are now working at full capacity and an interesting question that some economists have posed is how Finland is to find the additional capacity needed to pay for the ever-increasing energy import bill. One answer, of course, is that when the growth of exports to West Europe ceases, and this is expected to occur in 1981, there will be spare capacity to market in the Soviet Union which will take up the slack as it has done before.

The new five-year trade agreement for 1981-1985 forecasts an exchange of goods worth FM 84bn (£10.5bn), compared with FM 60bn in the five-year period now ending. In fact, the exchange of goods has always exceeded the initial five-year estimates, especially now because of rising oil prices.

Finland is also looking further afield to secure its foreign trade, to the Middle East, the Far East, and, now Latin America. Some promising results have already been achieved especially with project exports. Finland now has a special Minister for Foreign Trade who travels indefatigably accompanied by high-powered delegations of officials and senior business executives, which creates a good impression.

There is also much discussion of participation in project exports with third countries, and a couple of contracts have been signed involving Finnish, French and Swiss companies in Middle East projects. These deals take years to mature, but the Finns are pursuing them seriously.

Lance Keyworth

Finnish companies always to be found where the action is

Investment Abroad

FINLAND IS a country with a perennial shortage of capital relative to demand. Official reports o capital flows have tended to elaborate on foreign investments in Finland and give but passing mention to Finnish investments abroad.

The Bank of Finland has now published data on Finnish direct investment abroad that are both interesting and surprising.

Finnish direct investment abroad is running at a higher rate than foreign direct investment in Finland although all the tax and other incentives available to companies for productive ventures in this country apply equally to both Finnish and foreign corporations.

At the end of 1979 there were 975 enterprises abroad in which Finnish companies had more than a 20 per cent interest. The net investment of Finnish parent companies in their foreign subsidiaries amounted to Fmks 1.94bn (£228m) 614 of the foreign establishments were engaged in marketing, no less than 144 in manufacturing and 217 in other activities.

Special points

In the course of 1979 the Finns started up 145 enterprises abroad and closed 23. Their net investment flow to foreign countries increased from Fmks 257m in 1978 to Fmks 487m in 1979. Of this outflow of capital, 46 per cent went to the EEC countries, 19 per cent to EFTA, 19 per cent to North America and 9 per cent to South America.

For the sake of comparison, there were 891 companies in Finland in 1979 in which foreign companies held more than 20 per cent of the equity; 84 foreign subsidiaries were started up and 58 closed.

The reasons why Finnish corporations establish abroad are similar by and large to the motives that prompt industry in many other countries to take the same step.

But there are two or three points that carry special weight in Finland because of its somewhat remote geographical location, its dependence on foreign trade (27 per cent of the GDP in 1979), and its limited market (population 4.7m).

The Finns have an endearing, at times irritating or perhaps deliberately confusing, habit of denigrating their abilities to compete globally. The fact remains that they are to be found where the action is, well established and rolling in the orders.

The most obvious example may be Kone Oy, one of the few Finnish multinationals according to any criteria. Kone makes lifts, materials handling equipment, cranes, modern warehousing systems and also has smaller interests in the electronics branch. It had reached the point some years ago where, if it was to continue to grow, there was nowhere to go but abroad.

The decision was made and Kone is still growing. It now has 17 productive subsidiaries, five productive joint ventures and four regional offices outside Finland. Kone's is the classical history of the engineering company that must provide its clients with service facilities. It earns over FM 500m a year from servicing some 120,000 lifts under contract all over the world.

In the forest industry, still the backbone of the Finnish economy, the reasons for establishing abroad are more diverse. The governing factors have been the desire to surmount trade barriers, ensure access to raw material supplies, cut transport costs, etc.

In the early 1970s, when the Six had become the Nine, Finland as an associate member of EFTA was in danger of being left outside the EEC tariff barrier. This was an alarming prospect, especially for the pulp and paper sector which sold some two-thirds of its exports in Western Europe.

Finland started talks with the Common Market on a special agreement on free trade in industrial goods, but these were overshadowed by Soviet misgivings about any such special arrangement. Several Finnish forest industry companies took the precautionary step of establishing within the Common Market boundaries. Examples are Kymi Kymmene in Germany and France, Kaukas Oy in Germany, and Oy Schauman Ab in France.

Resources

Another reason for expansion abroad in the forest-products sector was access to virtually unlimited raw material resources. This was part of the thinking behind the establishment in 1965 of Eurocan Pulp and Paper in British Columbia, Canada, by four Finnish companies, Enso-Gutzeit, Kymi Kymmene, Myllykoski and Tampella.

Eurocan has paper and pulp mills and a sawmill. It suffered teething problems and three of the original partners pulled out. Enso-Gutzeit is now the sole Finnish partner with a 60 per cent holding and a Canadian company owns the rest of the share stock.

Kymi Kymmene has established a large sawmill, Leaf River Forest Products, in New Augusta, Mississippi. Kymi is also the sole owner of Star Paper in the UK, has a 70 per cent holding in Papereries Boucher, SA, France, and a 50 per cent interest with another Finnish company, Kaukas Oy, in Nordland Papier GmbH, West Germany.

Tampella Oy, a large Finnish conglomerate with forest industry, engineering, power production and textile interests, recently took over the U.S. company James Leffel and Company Tampella has long specialised in making hydroturbines and expects demand for this product to increase substantially in the U.S. no wthat the search is on for alternative sources of energy to oil.

The Finnish company concluded that the only way to cluded that the only way of expanding in the U.S. market was to establish there. It can add productive capacity to the existing space of the Leffel plant in Springfield, Ohio. Tampella has also established a jointly owned water turbine company with Bofors Nohab Ab of Sweden.

Three large Finnish companies which make machinery for the pulp and paper industry decided to pool their specialist resources and founded the TVW Group (Tampella, Valmet and Wärtsilä) to enlarge their share of the world market for these machines. In 1979, TVW established a marketing subsidiary in Australia, bought a 33.75 per cent interest in the French manufacturer of fine paper machines Ateliers de Constructions Allimand, and made licensing a greements with the Spanish firm Emua for the Spanish and Portuguese markets.

The TVW Group reckons that its participation in Allimand not only gives it a foothold in the EEC but also gives it access to former French colonies which tend to favour French suppliers. It also enables it to qualify for French Government export credits for orders handled by Allimand.

The service industries, too, have shown an increasing interest i getting to the mainstream. This applies particularly to banking which until the mid-1960s has handled its foreign payments and credit business through correspondent banks. In 1964, Union Bank of Finland and Kansallis-Osake-Pankki acquired shares in international consortium banks in Switzerland.

By the end of the 1970s the major Finnish deposit-taking banks had established more than a dozen subsidiaries and/or representative offices in locations ranging from Luxembourg to Singapore, Moscow to Sydney. The banks moved with their main clients. Finnish industrial compaines, to be able to provide service and credit facilities on the spot.

In some cases the baks were joined by Finnish insurance companies, a natural alliance when the Finns begin to undertake huge foreign projects abroad that require insurance backing.

The bigger—and even some of smaller—Finnish isurance companies have expanded on their own, mainly into the international reinsurance market, partly because the continued growth of premium income in Finland is limited by the size of the market.

Lance Keyworth

There are about 500 exporting sawmills in Finland. Their joint output accounts for 80-90 per cent of Finnish sawn goods production

Mills working at near capacity

Pulp and Paper

FINNISH PULP AND PAPER EXPORTS 1979

	Volume (000 tonnes)	Value (FM m)
Mechanical pulp	17	16
Chemical pulp	1,847	2,734
Total pulp	1,865	2,750
Newsprint	1,393	2,200
Printing and writing paper	1,617	3,229
Kraft paper	320	613
Others	191	569
Total paper	3,521	6,611
Paper board	1,163	2,091
Converted paper and board products	313	1,190

THE FINNISH pulp and paper companies are currently enjoying near-boom conditions. Most of them continued to operate at almost full capacity through the first half of the year, ignoring the shipping strike which temporarily affected deliveries.

Output of chemical paper pulp for the market during the first four months was 680,000 tonnes, according to Finncell, the sales organisation for the pulp companies. That is more than 100 per cent of potential capacity. Finnpap, the paper mills' association, increased its exports during the first quarter by 6.8 per cent compared with January-March, 1979.

These results follow a year in which Finnish paper exports reached a new record 3.5m tonnes, shipments abroad of pulp and paper brought in FMks 12.65bn ($3.3bn), and Finnish companies expanded their market shares in several grades. The expansion was aided by the lack of pressure from North American producers on the main Finnish markets in western Europe.

Investment

The financial position of the companies improved more than expected last year, although Mr. Matti Pekkanen, managing director of the Central Association of Finnish Forest Industries, argues that the industry as a whole is still not getting an adequate return on share capital.

Nevertheless, companies are starting to invest again in new capacity as well as modernisation projects. The volume of investment this year will be close to that of 1974, which Mr. Pekkanen regards as a normal year.

The forecast for 1980 is a further 1 per cent rise in export volume with prices moving ahead by 12-15 per cent. Costs have been rising more swiftly than they did in 1979, so that [illegible] year's. But two reasonably good profit years have enabled companies to pay off the foreign debts run up during the recession and to reduce their general indebtedness.

Amidst the general buoyancy, however, there is some disquiet about short-term business prospects. Mr. Fritz Frankenhaeuser, assistant managing director of Finncell, believes that the pulp market will remain firm through the fourth quarter, when the pulp mills hope to take out another price increase, having refrained from a rise in the third quarter.

But paper prices are forecast to level off during the second half. There have been signs that buying during the first half of the year has been higher than consumption, as customers have built up stocks. On a month-to-month comparison between 1979 and 1980, newsprint consumption in the U.S. was 5 per cent ahead in January, level in February, and down in March with a further decline in April.

There are indications that buying has been ahead of consumption in Europe as well, suggesting that newsprint manufacturers can expect a drop in demand in the autumn. As a rule of thumb other paper grades follow the newsprint trend about six months later.

The fall in the dollar, in which pulp and several paper grades are quoted, does not amuse companies' financial directors. The Finnish [illegible] rate for the U.S. dollar [illegible] per cent between [illegible] and May 25, 19[illegible] keep a wary eye on the U.S. paper market which has held up well so far but, as prices stop rising, it is feared that the Americans might start turning to the European market.

The pulp and paper companies consume a lot of energy. The Finnish forest industry as a whole in fact accounts for about a quarter of national energy consumption and is heavily dependent on oil imports. The rise in oil prices is, therefore, depressing profit margins and for the longer term several Finnish companies are investing in residue-burning generators and planning to switch to peat and nuclear power.

On the whole, however, the mood in the Finnish pulp and paper industry is bullish and interest in new investments is strong. Three new newsprint machines are scheduled to start up between October this year and May 1982, while Kaukas has decided to build its second lightweight coated paper machine for a September, 1981 start-up and United Paper Mills plan to have their new magazine paper machine operating by the end of next year. These investments total some Fmks2.4bn.

Tampella is also understood to be considering a third newsprint machine, which could come into production in 1983, and no less than four companies are reported to be planning investments in wood-free printing papers. The timing of these investments is important — a point which has been raised by the completion of a report on the future of the Finnish pulp and paper industry commissioned by the Government from consultants Jaakko Poyry.

One of Poyry's conclusions was that, since Finnish mills have to operate with more expensive wood than their North American competitors, they should phase out the production of chemical pulp for the market and shift to mechanical pulp from which they could make newsprint or, even better, high-grade printing papers.

Strong interest

Obviously, it would be poor business for all the Finnish mills to move into fine papers at the same time. The process needs to be spread over 10-15 years.

Moreover, Poyry worked on its report at a time when pulp prices were depressed. Few new low-cost market pulp mills will be coming on stream in the near future, pulp prices have been moving up steadily and European customers, particularly in West Germany, have been showing strong interest in securing long-term pulp supplies.

Yet another twist derives from the increase in oil prices. Wood is a potential fuel and today wood prices in the southern States of the U.S. are close to the level at which it would pay to burn wood instead of oil. Logically, the American wood price must rise.

An interesting suggestion in the Poyry report is that to ensure future competitiveness the Finns should build forestry industry complexes, putting saw and pulp-mills side by side in order to obtain the optimum use of the local wood resources. If the wood supply is the limiting factor, these complexes would be the best way of obtaining economies of scale it is argued.

Ahlström's complex at Varkaus, where a rebuilt pulp mill with a capacity of 110,000-120,000 tonnes is about to start up, is closest to the concept at present. A rational use of the country's wood resources can be expected to prod Finnish companies into mergers.

W.D.

Customers' needs quickly charted

Pulp and Paper Machinery

BUILDING MACHINES to process timber and to manufacture pulp and paper is a "natural" operation for Finnish engineers. The early development of the Finnish economy was based on wood and the forest industry has been a glamour business attracting the best talent.

The machinery-building side of the industry had to be expanded in the late 1940s and 1950s to pay war reparations to the Soviet Union. But as the Finns approach the limit of their forest resources, it has become an obvious strategy to try to market their know-how in processing wood world wide.

A special advantage is that several of the Finnish manufacturers, unlike their international rivals, belong to conglomerates which operate saw, pulp and paper mills, so that the changing needs of customers can be quickly charted. Moreover, unlike, say, the electronics business where change is swift and dramatic, the technology of the wood-processing industry develops slowly enough for a small country willing to make the effort to stay in front.

Exports of pulp and paper machinery from Finland last year totalled some $250m. Following a lean period in 1975-77, the inflow of new orders accelerated in 1979, partly as a result of the renewed interest in investment among domestic companies, and most Finnish machine builders are working near to capacity.

In June the order book of the TVW Paper Machine Group—jointly owned by Tampella, Valmet and Wartsila—was worth around $500m compared with $350m a year earlier. About one-third of the orders came from the Nordic countries and another third from North America.

As demand moves closer to supply capacity, prices have also been rising. The Finnish manufacturers made money last year but felt that profit margins were still too narrow because the prices of the machines delivered reflected the slack demand at the time the orders were placed. Thus 1980 and 1981 promise to be better profit years, a high level of capacity utilisation enabling the companies to command better prices.

The recovery in domestic orders—five large newsprint and other printing paper machines are due to start up between October this year and May, 1982—means that the share of exports, which has been roughly 80 per cent of total deliveries, is likely to decline, but the Finns are not letting up in their efforts to consolidate their position as major world suppliers.

There have been some disappointments and delays. The $200m Philippine contract, for a pulp and paper mill which Ahlstrom, Valmet and Wartsila, in collaboration with Sweden's Stal-Laval, signed last May, has been postponed if not cancelled because of the Philippine customer's difficulties in arranging finance and obtaining a wood supply concession.

The TVW Group's plan to start an engineering shop at Campinas in Brazil together with the local Pilao group and the Brasilinvest investment company has been delayed, but the new plant should be ready for start-up in October. This is a $15-20m investment, in which the TVW companies have a 47.5 per cent share and from which they hope to cover the growing South American market.

Co-operation

Through the Kamyr company in which it co-operates with subsidiaries of Sweden's Johnson Group and Norway's Kvaerner concern, Ahlstrom has had a pulp machinery factory operating near Sao Paulo for the past 18 months. Rauma Repola, which is co-operating with Beloit, is setting up a manufacturing base at Campinas with the American company and a Brazilian partner.

Japanese investment in pulp and paper machinery has been slack but the TVW Group has made its first deliveries there under a licensing agreement with Sumitomo while Ahlstrom is marketing its pulp, fibre recovery and combustion processes through the Swedish Gadelius concern and a licensing arrangement with Kobayashi.

In France both the TVW Group and Ahlstrom have secured openings to the EEC market and are poised for the heralded restructuring of the French paper industry. TVW has bought a one-third stake in Ateliers de Constructions Allimand while Ahlstrom controls the Pierre Hansen company.

Earlier this year the TVW Group started an office in Australia and won a big reference order from Australian Newsprint Mills for a new Valmet newsprint machine with Wartsila finishing machines. Since then the group has obtained orders for rebuilding old machines and feels it has opened up a new market in Australia.

Yet, even as they expand their marketing worldwide, the main targets for the Finnish manufacturers' export efforts outside their Scandinavian neighbours remain North America and the Soviet Union.

The Soviet orders tend to be big but well spaced, following the pattern set by the five-year trade agreements between the two countries, but fluctuations in Soviet orders are offset by the greater regularity of the North American business. New Soviet orders are currently being negotiated, in particular for the expansion of the Svetegorsk complex.

All the major Finnish manufacturers are established on the U.S. market. Some, including Ahlstrom, are now considering plans to expand local manufacturing capacity. Unsuccessful attempts by American producers to bring legal charges against the Finns under U.S. trading laws indicate that the challenge is being felt.

The Finns realise, however, that their main weapon must be technological and over the past year they have launched several innovations and improvements suggesting that they are maintaining a technological edge over the competition.

One, which the Finns believe incorporates an important breakthrough, is Tampella's Pressure Groundwood (PGW) grinding process, developed at unusual speed over the past three years. The PGW method produces mechanical pulp with a high long-fibre content and with a saving in energy of 600-1,000 kw per tonne in comparison with normal thermo-mechanical pulping.

Tampella has already sold six PGW machines to West Germany and four to the U.S. Its order stock is some $40m and it is having to invest in new plant and machine tools to meet demand.

W.D.

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Expertise leads to buoyant exports

Contracting

A FEW weeks ago the Finnish companies Oy Yleinen Insinööritoimisto, Vesi-Pekka Group and Finnconsult Oy signed a contract to deliver to Iraq a 70-hectare recreational complex on an island in the Tigris north of Baghdad, complete with hotel, bowling hall, funfair, etc. The contract is valued at Fmks 320m (£36.7m) and delivery is scheduled for September 1982. At the end of May the Finnish contracting company Perusyhtyma Oy handed over to the Soviet authorities in Tallinn the Hotel Olympia, built in 12 months and worth about Fmks 43m to the company and its associates.

In Finland and across the border in the Soviet Union the temperature can drop in the winter to −40°C (−40°F), steel tools get brittle and crack, and metals cannot be handled without gloves. In Iraq, summer temperatures rise to 40°C (104°F) and to grip hot metal surfaces is to invite blisters.

Hard work

The contrasts are enormous, but do not seem to worry the Finns. They simply go on increasing their construction, consulting and planning exports which, because of the blurred division between these branches of enterprise, are commonly known as project exports. A Finnish construction industry expert remarked recently: "If the conditions weren't so harsh where we go, we wouldn't be needed. We work hard and we're adaptable."

That is of course the purely human side of the problem. The other side is the Finnish ability to plan, design and construct for and in extreme geoclimatic and even geopolitical conditions, and keep to delivery dates. There are some 7,000 Finns (6,000 in the construction branch) working overseas on long-term contracts, most of them just across the eastern frontier, but about 2,000 in the Middle East.

According to the Association of General Contractors of Finland (AGCF), construction branch invoicing for exports projects came to Fmks 2.4bn in 1979, just 10 per cent of the domestic total of Fmks 24bn. "We have now reached the same level as the major European industrial countries," said Mr. Kalle-Pekka Sävelkoski, export manager of the AGCF. The geographical distribution of major projects in progress in the current year and the value of the Finnish share in the projects is as follows. In the Middle East 17 projects spread over Saudi Arabia, Iraq, the United Arab Emirates, Yemen and Egypt are worth $794m. In Africa Finnish companies are earning $80m from five projects in Nigeria, Liberia and Libya. There are six projects going in the Comecon countries—four in the Soviet Union, one in Poland and one in East Berlin. These are expected to bring in $955m. West Europe's share is a modest $22m from three projects in Sweden, Germany and Norway.

It is possible even in this somewhat diffuse branch of industry to discern a few medium-term development trends. First, the share of relatively straightforward residential housing projects is on the decline. A few years ago it was around 40 per cent of total invoicing for project exports. It is now about 20 per cent. The less developed countries have learned a lot. Secondly, water and sewage projects and industrial building have become more prominent, and here Finland is holding its own in the international competition.

The third important point is the trend towards "package deals" in the widest sense of the term. This covers financing, a wide spread of know-how and demand from the buyers for increasingly sophisticated turnkey deliveries. Finally, but somewhat less concrete, is the prospect of co-operation with third countries.

The most interesting of these trends is the one towards package deals. It is hardly new. As export projects increase in size, complexity and cost, no single company or group of companies in Finland will be able to handle them. Bigger and more versatile consortia must be formed, if necessary with partners from outside Finland. The Finns accept this; "Better a share of the cake than no cake at all," said the chief executive officer of one of the big Finnish metallurgical companies. Three of the huge Soviet projects on which the Finns are engaged made it essential to muster resources and share the risks. The final result was a Finnish consortium of 17 partners styled Fin-Stroi Oy.

Other consortia are being formed which, like Finn-Stroi, gather into one group both public and private companies. The Libyan authorities told a Finnish managing director recently that he could have the contract for a new sewage plant provided he accepted total responsibility—covering sewage treatment, operation of the plant, training local labour and management. The same totality has been seen in hotel contracts.

Agro-industry contracts are even more involved. It is not just a question of building a dairy or a tree-building station. The buyer now wants—and gets—soil tests, a complete dairy, breeding stock, distribution systems, storage systems, etc. In the end the contract involves chemical, engineering, constructing and consulting companies and co-operation with municipalities, hospitals, etc.

A great deal has been said about co-operation with third countries in project exports, but these take a long time to get to the implementation stage. Two examples of such projects already in progress are the power station in Abu Babi in which the third country is France and a feedstock mill in co-operation with the Swiss. The Finns have arranged seminars in the Comecon countries and in the West, explaining what they can offer in co-opeartion projects. "Some 20 of our member companies work overseas," says Mr. Sävelkoski. "They have many links in Eastern and Western Europe, and also in the Middle East. They must now evaluate them before going into any more concrete deals."

Skilled labour

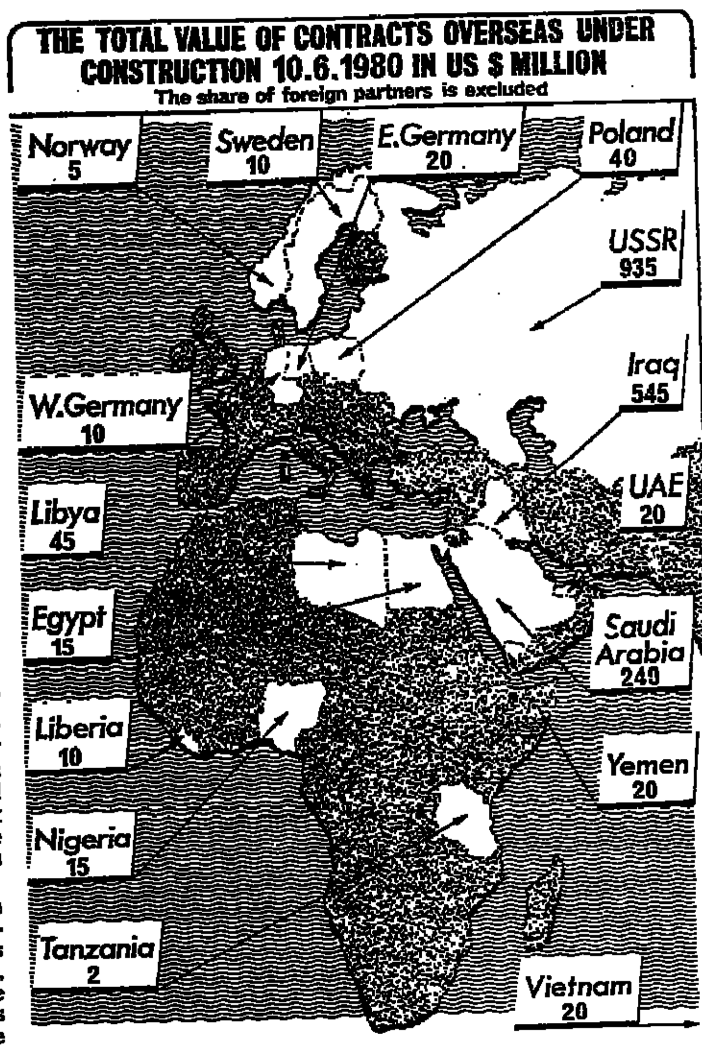
One of the problems will be to ensure the supply of skilled labour for project exports, both management and craftsmen. The Confederation of Finnish Industries has just published a committee report on the the manpower aspect, based on the assumption that the value of these projects will be Fmks 10bn in 1985, compared with Fmks 5bn in 1978. This will require intensified traihing at both university and occupational insitute level, and a more international outlook in the educational institutes.

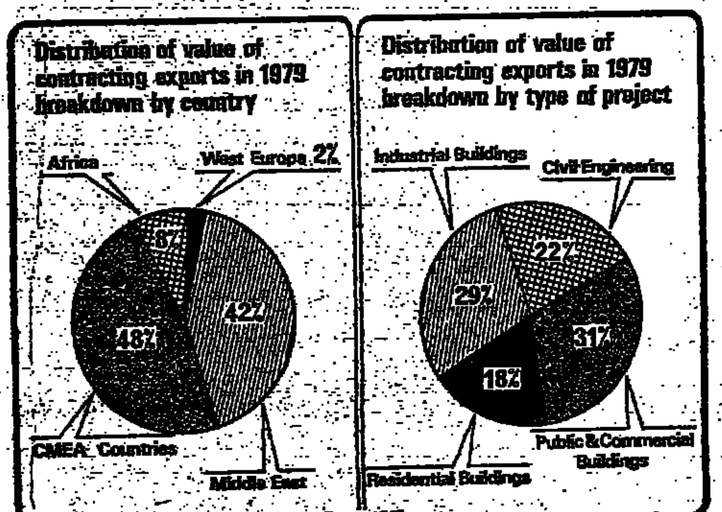
Special training courses are already being organised by the AGCF and the Finnish Association of Consulting Firms (SKOL). Apart from the additional requirement for new contracts, there must be a manpower reserve from which replacements can be drawn for those already abroad who choose not to renew their contracts.

The other big problem is finance. "This is our weakness," said Mr. Sävelkoski. Exceptional solutions have been found such as the one for the new hotel nearing completion in Leningrad. This is being built by Polar Group of Finland and financed by Tower International of the Cyrus Eaton Group of the U.S. The problem of finance in the Comecon countries is considerable but has been eased somewhat in the past two years since Finnish Export Credit decided to add consulting and construction projects to its financing programme. Nordic Investment Bank is also now providing credits for joint Nordic project exports to countries outside Scandinavia.

The financing problem has always existed for Finland but has not proved insuperable. "We had a period of about a year in which we were busy completing ongoing projects. Now we have already signed new contracts this year for over Fmks 700m, so we obviously feel we can start expanding again."

L.K.





Companies open offices abroad to boost premium income

Insurance

THE internationalisation of the Finnish insurance branch has been growing fast in the past 10 years. Since 1969, eight Finnish insurance companies have bought shares in foreign companies varying in size from five to 34.44 per cent, or have established fully owned subsidiaries abroad.

Four of the big five Finnish companies have their own foreign subsidiaries: Pohjola has one in London, Industrial Insurance has two and Sampo has one in the same city, while Kansa has one in Bermuda.

The geographical spread of the companies which hold minority interests in companies outside Finland ranges from Hamburg to New York and from Dubai to Singapore.

The total issued share capital of these investments is relatively modest—it has been put at about Fmks 200m (£24m at the current exchange rate)—a more 1 per cent of the total investment of all Finnish insurance companies. Nevertheless, the rush to move overseas is causing some raised eyebrows among the older hands in the bigger companies.

The main reason for establishing abroad is to increase premium income, and this is best done in the reinsurance market. Whether the reinsurance business is in or out of Finland, the advantages of having a man on the spot in the main trading centres are obvious for a country like Finland which is, so to say, out on a spur from the mainline traffic.

Internationalisation also means the possibility of writing more direct policies, but if the losses mount, the outflow of funds is far greater than the inflow of premium income, whatever the savings in brokers' fees.

"Reinsurance is the real way for us to expand our foreign business," said Mr. Bengt O. Nordman, director, the Pohjola Group (Insurance Companies). Contrary to popular belief, Finland is not a newcomer to the foreign insurance market. Pohjola started in 1891, Fennia in 1895. There was even a time when Pohjola's reinsurance business generated more premium income than its non-life Finnish trade.

But the spurt in reinsurance business in the past decade has been strong enough to be called a new phenomenon. For the old companies, nothing has changed much except the volume of business. "We accept the same sort of business and refuse the same sort. You could say that we have increased our acceptances and that we travel more," says Mr. Nordman. But a number of small, newer companies are running with the tide and may not have the necessary experience yet.

Shaken

The international insurance market has been shaken by several scandals in the last couple of years. Even Lloyds has not escaped. Finland has a good image in the foreign trade, but it could be spoiled by a few misjudgments due to inexperience.

The Finnish insurance branch enjoys good relations with the Bank of Finland, to which it simply reports its foreign exchange payment at periodical intervals. So far, Finnish reinsurance business has always produced an inflow of income. If the flow were reversed, the Bank of Finland might want to exercise more active control. But the Finnish companies are not unduly worried. The Government insurance supervisor exercises very close supervision over the solvency of all the companies.

Any one of the large Finnish companies can absorb loss expenditure up to about Fmks 10m from its own funds. They have what is believed to be a unique system (now partly adopted by German companies) of providing for castastrophes. This is the fluctuation reserve of equalisation fund written into the Finnish Insurance Companies Act of 1953.

The law states: "The outstanding claims reserve shall include the amounts of occurred but unpaid claims plus a fluctuation provision for years with excessive losses calculated according to risk theory." Detailed instruction on how the reserve should be calculated are issued by the insurance department of the Ministry of Social Affairs and Public Health. They are complicated, but in slightly over-simplified terms mean that Finnish insurance companies can salt away in fat years a sizeable sum for the lean years tnat may come.

With the advance of technology and industrialisation, Finland now has several risks that are beyond the capacity of the Finnish insurance branch alone. Suffice it to mention that the country has three nuclear power stations on line and a fourth due to go on line soon. But the reinsurance business is mutual, and the Finns have taken shares in some sizeable foreign risks. They have been involved in tanker and hurricane losses, and they will also have to pay out something on the television contract claim resulting from the U.S. boycott of the Moscow Olympics

The Pohjola group, through its Norwegian office took a share in the hull insurance of the "Alexander Keillan" drilling rig, the total of which could be somewhere near Fmks 5m. "We're not afraid of big industrial losses," says Mr. Nordman. "We have every confidence that we can calculate our liabilities accurately for these. I feel that Finnish companies are entitled to a bigger piece of the international cake, but we must earn it with great care and without taking undue risks. We cannot really do this without establishing branch offices abroad or buying into existing foreign companies."

L.K.

High morale reflects earnings and sales boost

The Pyhasalmi mine, operated by the State-owned Outukumpu mining and metals group

Metals

THE FINNISH metals industry gives the impression that it is up and doing, and intends to go a long way fast in the coming decade. In part, this is because much of the industry is relatively young (iron and steel company Rautarukki has just celebrated its 20th anniversary), and has begun the 1980s with modern and efficient production equipment.

Another factor today is the internationalisation of the industry, particularly noticeable at Outukumpu, the state-owned mining and metals group. This trend is not only linked to the need to find export markets for Finnish metals, but reflects the growing reputation of Finnish metallurgical know-how and the opportunities which this is opening up in export markets. Outukumpu's management give the impression that they believe they are not merely going to be among the successful also-rans, but among the front-runners in the coming decade.

No doubt the evidently high morale and optimism also reflect the cyclical improvement in sales and earnings over the past two years, which has given the managements money to invest for the first time for several years. The export value of the basic metal industry grew by 37 per cent to Fmks 3.6bn last year. Production rose by 10 per cent, with crude steel output rising to 2.6m tonnes and rolling mill products to 1.9m tonnes, about half of which was exported.

At the beginning of the 1960s iron and steel output was only 300,000 tonnes. The rapid increase is mainly, but not entirely, due to expansion at the state-owned Rautarukki works. When new capacity came on stream in 1977, it became one of the largest Nordic steel producers. Crude steel output was almost doubled, from 793,000 tonnes in 1976 to 1.3m tonnes in 1977 and 1.55m tonnes last year.

Deliveries of rolled products rose from 730,000m tonnes in 1976 to 1.03m in 1977 and 1.37m tonnes last year. Financially the group moved from a Fmks 111m loss in 1977 to a Fmks 49m net profit in 1979, when sales rose 19 per cent to Fmks 2.08bn. The profit figure was reached last year after an increase in depreciation costs from Fmks 126m in 1978 to Fmks 235m in 1979.

Among the most important expansion plans at the moment are the construction of a new structural steel tube and pipeline facility at Pilkila and a production line for tapered steel tubes at the company's Oulainen works.

New standards

Ovako Oy is the big private steelmaker, producing 793,000 tonnes of crude steel last year (up from 646,000 tonnes in 1978). 468,000 tonnes of billets and 507,000 tonnes of rolled products, as well as screws, bolts, wire, chains and special steels for the fastener and the auto industries.

Together with Outukumpu, Ovako has developed a process control system, Proscon, which has enabled the company to control energy inputs into its blast furnaces. The company also claims to have set new standards for fuel consumption per ton of steel produced. Outukumpu also uses Proscon in its own metalworks and has sold it to the Helsinki Water Board. It hopes to make an export break-through with the system soon.

Ovako increased sales by about 50 per cent (partly due to new acquisitions) to Fmks 1.09bn last year. The company turned a 1978 loss of Fmks 1.5m into a net profit of Fmks 17.5m after increasing depreciation costs from Fmks 38m to Fmks 101m and the inventory reserve from Fmks 12m to Fmks 86m.

Outukumpu has produced stainless steel at its Tornio works since 1976, increasing output from 44,000 tonnes in 1978 to 61,400 tonnes in 1979. And in 1980, production is expected to reach 70,000 tonnes. What is remarkable about this is that the planned capacity ceiling for the works was only 50,000 tonnes.

The production increase is being achieved by efficient production planning, said Mr. Borje Klaile, marketing manager of the mining and metallurgical division. There are plans to double output at Tornio to 140,000 tonnes by the end of the decade. Profitability for stainless steel "approached a satisfactory level" according to the 1979 annual report.

Outukumpu is best known for mining and production of non-ferrous metals, especially copper, zinc, nickel, and cobalt, as well as ferro-chrome. On the basis of ore from its 10 mines, Outukumpu produced 54,000 tonnes of anode copper, 11,500 tonnes of cathode nickel, 147,000 tonnes of zinc and 1,180 tonnes of cobalt (6-7 per cent of world output) in 1979.

Cobalt production rose from 940 tonnes in 1978 and will rise further this year. The increase is because the company has developed a method of extracting cobalt from the furnace residue of an East German copperworks, which has accumulated over a period of a century. Starting last year Outukumpu has obtained an eight-year contract to refine the residue, which also yielded 270 tonnes of molybdenum as well as copper and nickel. The rise in the cobalt price, from FMks 50 per kg in 1977 to FMks 250 per kg in 1979, contributed strongly to the improved profitability of the metallurgical division last year.

Good reasons

The development of the residue refining process is a reflection on Outukumpu's emphasis on the development of know-how. It has several very good reasons for this, not least that it cannot be sure of new ore finds to replace the present mines, which will gradually exhaust deposits over the next 10 years or so. Technology exports could therefore become vital to the company's future.

The company is not new to this field, however. It developed the flash-smelting technique for copper at the end of the 1940s and since then about half the world's new capacity has used this technique, which is still being developed and improved.

The company is now trying to develop a technique for the flash-smelting of lead, which would be a big breakthrough to cleaner and energy-economising production. But the management is reluctant to talk too much about this project as yet. It is still in the pilot plant stage and the company is anxious not to damage its good reputation for delivering reliable plant by claiming too much for this new project too soon. The first commercial plant will, incidentally, have to be erected abroad as Finland does not have the raw materials for lead production on the scale required.

Great hopes are also pinned to the company's ferro-chrome process, which has been in operation in Tornio since 1968 and is therefore well tested. The basic method is conventional electro-smelting, but some of the raw material charging and material treatment methods are Outukumpu's own. The process is so competitive on cleanliness and energy-use that the company hopes the process will become a main selling line, rivalling the copper flash smelters, in the 1980s.

The international marketing of the company's know-how was placed under the Technical Export Division a few years ago and in 1978 its invoiced sales had reached FM 306m. They slumped to FM 78m last year as a series of major orders were completed, but orders at the end of last year were worth FM 360m, including a mine and copper concentrator complex in the Philippines and a copper smelter for Bulgaria. Last year the division opened offices in the U.S., Mexico and the Philippines.

Outukumpu sales rose from FM 1.8bn to FM 2.8bn last year and net profits from FM 8m to FM 10m after an increase in depreciation costs from FM 131m to FM 175m and in reserve allocations from FM 10m to FM 25m.

The metal companies expect that 1980 will again be a satisfactory year, not least because domestic demand is continuing strong. But the metals industry expects a dip in 1981, when both the home market and international markets are likely to be weaker.

Hilary Barnes

Big markets on the doorstep help manufacturers survive

Textiles

IN 1820, when it was still forbidden to export textile machines from Britain, a scot named James Finlayson was in St. Petersburg, teaching the Russians how to build their own spinning and weaving machines. Having discovered an unharnessed waterfall at Tampere, then a small township of 900 souls in Central Finland, he decided to set up his own business.

The mill was an immediate success. Finland was at the time a grand duchy of the Russian empire and from Tampere, Finlayson had the whole Russian market open to him. For decades his mill was Finland's only industrial enterprise.

Not only does the Finlayson company still exist but the Finnish textile and clothing business, unlike the pioneering industries of other countries, still makes a significant contribution to the Finnish economy. One on nine Finnish employees and almost a third of women employees work in its mills and factories.

Textiles and clothing together account for 6-7 per cent of total Finnish exports. About 60 per cent of the clothes manufactured are exported, bringing in an income of FM 2.17bn (£255m) last year. The share of textile exports is smaller and the textile companies find life more difficult, but import penetration by cheap foreign producers is still relatively low, though rising.

The industry has experienced problems and the State has had to take a substantial share in textile production, but the Finnish clothing manufacturers have shown a stronger survival capacity than most of their European rivals. Why?

One answer is cheaper labour. in 1978, for instance, labour costs in Swedish clothing companies were still about 80 per cent higher than in Finland. Another answer is free access to two large neighbouring markets, Sweden and the Soviet Union.

Sweden in fact looms large in the recent history of the Finnish clothing industry. As the Swedes' own industry shrank, they switched investment to Finland where more

Finnish clothing manufacturers have found good export markets for leisure wear, both to the West and the East

than 20 companies are currently owned by Swedes and sell most of their output on the Swedish market. In 1979 Sweden took almost 47 per cent of Finnish clothing exports and Norway took another 14 per cent.

The Impetus for this development came with the establishment of the European Free Trade Association (EFTA) in the 1960s and the resurgence of the Finnish clothing industry dates from the middle of that decade: 1966 was the first year in which the value of Finnish clothing exports exceeded the value of imports. aLst year exports exceeded imports by Fmks 1.56bn.

Women's wear

The opening of trade barriers and low wages have not been the Finns' only advantage. Their flair for colour and design has been a major asset, as has their quick assessment of the growing market for leisure wear not only in Europe but also in the East Bloc countries.

The Marimekko company can claim to have first established the image of Finnish women's wear abroad. It matched bold design and a daring use of colour with materials which did not compete at the haute couture level but offered better quality than the products of the new mass producers in the developing countries.

In ready-made men's suits the Turo company has become the biggest in the Nordic bloc and has also sold very successfully in Britain. Several Finnish manufacturers of leisure wear have been able to tap the enormous market in Central Europe.

The expansion of the clothing industry ceased for a time during the recession of the mid-1970s, but a pick-up occurred in 1978 and last year, clothes manufacturers recorded a 12 per cent increase in production volume. Order books are thick and Vateva, the central association of the clothing industry, anticipates a further rise of 15-20 per cent in the value of exports this year.

Although the increase in demand from the West is slower, the need to raise exports to the Soviet Union to compensate for the increased cost of the oil imports from that country, is keeping the factories working at full capacity. Curiously enough, the clothing companies say they are suffering from a shortage of labour in some areas, despite the relatively high unemployment level in the country.

The 1979 statistics show a 60 per cent rise in exports of Finnish ready-made clothes to Britain from Fmks 207m and a 42 per cent rise to Fmks 128m in sales to West Germany. This is the result of a new marketing drive which has already begun to show that the Finns have so far barely penetrated the potential of the EEC to which Finnish exports will have free access from 1984.

"The European buyers found that we were offering good value for money," is the explanation offered by Mr. Jussi Peitsara, Vateva's managing director. Many more buyers were invited to the Helsinki fashion fair which is held in January and August and were impressed by visits to the factories.

Since their expansion got under way as recently as in the 1960s, the Finnish companies have modern equipment. The level of automatisation is high and the Finns may, indeed, have a technological lead within Europe in the number of computerised cutting and grading units used.

The Finns may be gradually losing their low wage advantage. The recent pay settlement, for instance, is calculated to add some 25 per cent to labour costs of the clothing manufacturers. Low-price imports have been expanding this year.

But Mr. Peitsara still sees scope for expansion on foreign markets to compensate for the loss of home market shares. The skill of Finnish designers in meeting the demands of exacting buyers is one asset. There is still room for greater rationalisation in production and the Finnish manufacturers' comparatively low share of the European and North American markets can be improved, he believes.

On the textile side, Mr. Kai Snellman, managing director of the Textiles Industries Association, argues that the business improvement of the last two years has brought the companies to profit levels at which they can again start thinking of investment.

Capital spending will go to rationalisation and technical improvement rather than to new capacity. The textile manufacturers will also have to look to export markets in future, as they cannot hope to meet the varied needs of the home market in competition with importers. "In 10 to 15 years we will probably have to exoprt 70 to 80 per cent of our textiles," Mr. Snellman forecasts.

W.D.

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Eastern bloc compensates for falling Western demand

Engineering

IN THE post-war years the metal and engineering industries have gradually expanded to challenge the forest-based industries for pride of place as Finland's most important manufacturing sector.

Since 1974, they have in fact exceeded the timber and pulp and paper industries in terms of production value, but they still have some way to go before they catch up as exporters. Last year they accounted for 32 per cent of exports of goods, compared with 44 per cent for the forest industries.

Last year brought a sharp recovery after the 1977-78 recession. Output increased by 5 per cent in the engineering industries, capacity utilisation was high and profits improved. Operating profits in relation to sales recovered from a low point of 8.2 per cent in 1977 to 10.7 per cent last year. Exports rose by 8 per cent, half of it a volume increase.

This year and 1981 are also expected to be satisfactory with order books full this year. In 1981 a decline in demand from the Western countries will be compensated for by increasing demand from the Socialist countries.

Not only does a new five-year trade programme with the Soviet Union start in 1981, but there is an opportunity to increase exports to help pay for the rising cost of oil imports from the USSR. Exports to the Eastern European countries may not entirely cancel out the decline in demand from the West, but they will certainly go some way to bridging the gap.

Nevertheless, in spite of the output recovery last year, engineering production was still about 4 per cent below its 1975-1976 peak. This was strongly influenced by a 30 per cent decline in the production of transport equipment, i.e., ships. But the electrotechnical industry's output was 10 per cent below its previous peak, metal goods were 4 per cent down, and only the machinery industry could boast that output was actually higher than in 1976. A predicted rise in output for the engineering industry as a whole of 8 per cent this year, however, should take it to a new record level of production.

One of the most interesting developments in the engineering industry over the past year or so has been an extension of structural rationalisation among the domestic producers to rationalisation on an intra-Nordic basis, which is more difficult. There have, however, been a series of deals, co-operation agreements, mergers and take-overs, between Finnish and Swedish manufacturers.

Left-overs

It would be an exaggeration to say that the tendency of these deals is for Finnish capital to save Swedish jobs, but there is a hint of this in several of the deals. This seems to be seen in Finland as an interesting reflection on the relative strength of Finnish industry, though one industrialist expressed the sceptical view that Swedish industry may be moving on to higher things, leaving Finland to pick up the left-overs.

Among the deals were separate agreements between Volvo and the state-owned Valmet on the future development and production of agricultural tractors and forest machinery, acquisition by Wärtsilä of half the share capital in Nohab (a member of the Bofors group) diesel engine division, and the formation of a joint company by Nohab and Tampella in the field of hydro-turbines.

The Tampella-Nohab link-up resulted earlier this year in the establishment of a jointly owned company, Nohab-Tampella AB, which is one of several examples of the way in which Finnish manufacturers, in this case allied to a Swedish one, are aggressively going out and looking for new markets abroad.

Last year Tampella, which has been making hydro-turbines since about 1850, bought up a well-known but somewhat run-down American producer of small hydro-turbines, James Leffel and Co., of Springfield, Ohio. Leffel has references for 15,000 projects completed in North and South America and Africa. It is seen by Nohab-Tampella as an important springboard to the American market, which has vast undeveloped hydroelectric resources.

The Tambella-Nohab story is, as managing director Peter von Koskull said, an object-lesson in how rapidly the world changes. In 1972 American consultants recommended Tampella to close down in its turbine division, but after the 1973 oil crisis Tampella decided to hold on.

Today it sees turbines as one of its most promising lines of business in the coming decade as energy planners everywhere switch from oil to renewable energy resources. Nohab specialises in turbines for high heads of water, Tampella and Leffel in smaller turbines. Between them they believe they have a highly competitive range, both for sale in the Nordic market and in overseas markets.

Wärtsilä has a long tradition in the production of medium-speed marine diesel engines, and in the cut-throat competition which has followed the rising price of oil, it was fortunate enough to come through at the right moment with a new product which was exactly right for the market. This was the Vasa 32 heavy fuel burning diesel, which uses low quality, cheap fuel, saving about Fmks2m a year compared with comparable ligh fuel engines, according to Wärtsilä.

The first six of these engines were sold in 1978. Now the Vasa works is fully booked for 1980 and virtually fully booked for 1981, according to Professor Matti Kleimola, the diesel division's product development manager. He said that the next step will be the introduction of small, heavy fuel burning diesels in 1981, in the range from 50 kW and upward compared to the 1,200-5,760 kW output range for the Vasa 32.

Wärtsilä acquired a half share in Nohab Diesel at the beginning of 1979 and a gradual co-ordination of production and marketing is planned. Nohab's two engine types, in the 600 to 3,000 kW output range, will complement the Wärtsilä range.

60 per cent rise

The electrotechnical industry accounts for about 14 per cent of output value in the metals and engineering sector and 12 per cent of exports (perhaps more as electronic components are not counted separately when exported in the form of equipment on a Finnish-built ship). Production has increased by 60 per cent since 1970, which is faster than in any other sector of the engineering industry.

The consumer electronics industry is closely associated with the development of Salora television sets. Some small and enterprising companies have carved out important niches for themselves in the world market, such as Vaisala for meteorological equipment, but a large share of the electronics business is handled by the electronics divisions of larger companies, such as Nokia, the FMks 3bn giant which also has operations in forest industries, rubber, metals, goods and plastics. Electronics account for under 10 per cent of group sales.

In the broader electrotechnical field the field the dominating company is Oy Stromberg Ab, the only manufacturer of heavy electrical machinery. Although turnover is relatively small, at FMks 800m, it produces a wide range of products including generating equipment, distribution systems, switchgear, special generation and traction systems for the paper industry, electric motors and frequency converters. In the electronics field it makes control and automatic equipment for generation, transmission and distribution systems, monitoring equipment for electrical systems, and control systems for energy supply for diesel and hydro-electric plants.

Like so many Finnish companies (one can hardly pick up a company report without reading about establishment or acquisitions abroad), Stromberg is developing its international activities rapidly. It has set up companies in Norway, the UK and Argentina within the past 18 months, though by the standards of Finnish manufacturers, exports still account for a relatively small share of company turnover at FMks 156m or 21 per cent of total sales.

H.B.

Aircraft deal with UK

FINLANDS State Aircraft Factory, which later became Valmet Oy's Tampere works, was founded soon after the First World War and the first aircraft rolled out in 1922. Rapid progress followed and 255 planes, representing 18 Finnish aircraft types, were built between 1922 and 1977. A total of 509 planes of foreign types were also built.

In addition to manufacturing aircraft, Valmet Oy repairs and maintains nearly all Finland's military planes.

The company is currently building CM 170 Fouga Magister jet trainers and is assembling and modifying J 35 Draken fighters. The serial production of the Valmet L-70 military primary trainer pictured was started in 1977 following an order from the Finnish Air Force for 30 planes. Delivery will be completed next year.

At the end of 1977, the Finnish Air Force and the British Aerospace Corporation signed an agreement under which BAC will supply the FAF with 50 Hawker Siddeley Hawk trainer aircraft.

The final assembly of 46 of these will take place at Valmet's Knorevesi works, which will also manufacture a number of components for the aircraft. Deliveries will start next year and should be completed in 1985.

Third biggest export sector still growing strongly

Chemicals

THE CHEMICAL industry is the youngest of the major industrial sectors in Finland, just about as old as the Independent Republic itself, which makes it a little over 60.

It is a lusty youngster for all that, increasing its production at a steady average rate of about 6 per cent a year. It consists of some 200 companies, dominated by the two giants Neste Oy (oil refining and petrochemicals) and Kemira Oy. But many of the smaller companies have gained a worldwide reputation for their specialties, especially in the pharmaceuticals branch.

The chemicals sector is customarily divided up into three production sub-sectors: industrial chemicals, oil products and consumer chemical goods. Their shares in total production are roughly 40-40-20 per cent, respectively.

Export led

Growth in the chemical industry has been export led. The industry can be said to have started very simply from sulphuric acid, the base of fertiliser production. In the 1950s came a range of new products, such as ammonia, nitrogen and oil refining. In the 1960s titanium dioxide, phosphoric acid and petrochemicals, to say nothing of pharmaceuticals and related goods.

As production expanded and research and development resulted in new products and applications, exports grew explosively. In 1958, chemical industry exports totalled Fmks 17m, a mere 0.7 per cent of total Finnish exports. In 1979 the corresponding figures were Fmks 3.7bn (£440m) and 8.7 per cent.

The chemical sector is now the third biggest export industry after the forest industry and the metal and engineering sector.

According to Mr. Yrjo Pessi, chairman of the Federation of the Finnish Chemical Industry and chief executive officer of Kemira Oy, there are two distinct trends in this expansive process. One is the fuller and more efficient use of domestic raw materials. The chemical industry, unlike the forest industry, requires a big import input, Fmks 10.7bn in 1979, over 24 per cent of total imports. The corollary to this is import substitution. The second major trend is, of course, the expansion of exports.

Between the two lines of development the boundaries dividing the chemical industry proper and the other branches of industry that are involved in processes and projects relative to the chemical sectors, tend to get a bit blurred and thus cold customs statistics cannot tell the whole story. This is evident from the relatively new agro-package export marketing approach and the export of complete chemical production plants as turnkey projects.

For instance, Oy W. Rosenlew AB is probably best known to the Finnish public as a maker of forest industry and engineering products. But it is the world's No. 1 supplier of furfural plants. Furfural is a liquid chemical made of wood, sugar cane, bagasse, etc., which is used as a basic material for furfuryl alcohol and other refined chemicals. In co-operation with Alko Oy, the State alcohol monopoly, Rosenlew has developed plants for the manufacture of alcohol and yeast from the waste liquor of sulphite pulp digestion, molasses, etc. One of its new lines in this energy-conscious world is a process for the development of fuel alcohol.

Co-operative

Kemira has its Agri Service for soil testing. In co-operation with Perusyhtyma Oy (Construction), Valio Co-operative Dairies and the Hankkija Co-operative Society it has established Finnagro Oy, which has already completed or is working on projects in Iraq, Kenya, Libya, Nigeria, Saudi Arabia, Sudan and Hungary.

Metsaliiton Teollisuus Oy, a co-operative society of 150,000 forest owners and one of the biggest companies in the wood, pulp and paper line in Finland, has established Finnfix CMC, which has Europe's largest carboxymethyl cellulose plant with an annual capacity of 25,000 tonnes of CMC. The main uses of CMC are for coating and surface sizing in the paper and board industries.

It is not impossible that in 10-20 years Finland will be producing ethanol and methanol from biomass—of which Finland has plenty—for use in the petrochemical industry. Both Kemira and Neste are interested in this as a practical process.

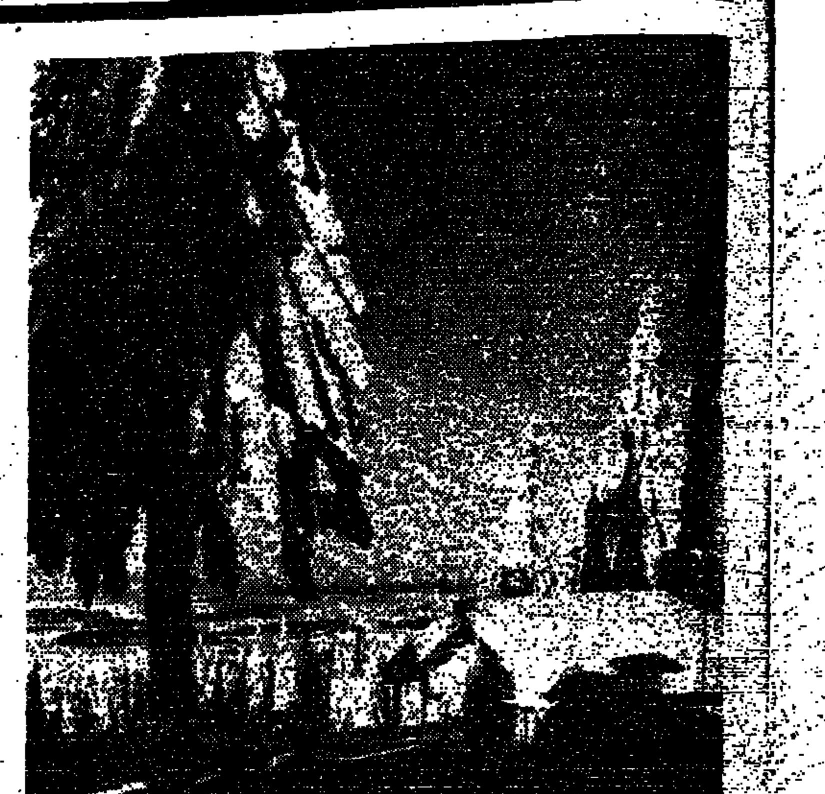
Here again, a number of other branches will be involved, not least the engineering industry which will have to come up with economically viable systems of harvesting the biomass.

The gasification of peat to produce ammonia is another project that is engaging the minds of Finnish research chemists and engineers.

Finally, a few words about the pharmaceuticals branch. Seven of the 13 companies in this line account for 90 per cent of the total output. Fermion Oy, the biggest Finnish manufacturer of pharmaceutical materials has recently expanded its production of semisynthetic antibiotics. Orion Oy manufactures not only pharmaceuticals but also the plant for their production. Nordiclab Oy, a private company owned by physicians and chemists, makes RIA (Radio-immunoassay) kits. It has trebled its turnover yearly since it was established a couple of years ago.

The chairman of the Finnish chemical industry sums up the prospects for his sector: "The time we have spent exploring the avenues of approach to the international markets has been very useful. We expect to be reaping the rewards."

L.K.



The Tourist Board is anxious to promote Finland's forests and lakes and is encouraging cycling, hiking, canoeing, sailing and skiing

Flood of visitors continues to rise

Tourism

FINLAND has done rather well from tourism in the past couple of years, partly because with inflation under control the price level has been fairly favourable. Tourist receipts rose by 15 per cent to over Fmks 2bn last year and there was a 9 per cent increase in overnight stays at hotels.

There were a record 328,000 visits by visitors arriving from non-Nordic points of departure, 11 per cent more than in 1978. The total number of visits is probably in the millions, but as there is a Nordic passport union there is no accurate check on the number of visitors arriving from Nordic countries.

However, the total number of overnight stays at hotels by non-Fininsh residents was 1.7m last year. The tourist balance showed a surplus of Fmks 174m compared with a deficit of Fmks 3m in 1977, the low point of the decade.

Substantial new traffic investments seem to provide good reasons for expecting the flow of tourists to continue to increase. In 1980 and 1981 the two ferry companies which compete on the routes between Sweden and Finland will double capacity when they introduce vessels with 1,600-2,000 beds each.

Whether or not the companies actually succeed in doubling passenger traffic, few people doubt that there will be a substantial increase in the number of visitors arriving from Sweden when these ferries become operational. Many of the visitors, of course, will be home-coming Finnish emigrants, who do not usually place a burden on hotel capacity but stay with family and friends.

Doubled

Finnair, the Finnish airline, is also expanding its route network and this is expected to encourage a further inflow of Baghdad are due to open tourists. Routes to Cairo and shortly; flights are also due to start to the U.S. West Coast in 1981 and to Japan in 1982. This is one reason why Mr. Bengt Pihlstrom, managing director of the Finnish Tourist Board, expects the number of non-Nordic visitors over the next few years to go on increasing by 3 to 5 per cent a year, which he called a modest growth estimate.

In the past 10 years the number of non-Nordic viistors has more than doubled. Almost a third of the visitors come from West Germany, 99,600 last year, followed by the United States, 40,200, the Soviet Union 33,000 and the UK 30,000.

The number of visitors from the U.S. has risen by about 66 per cent since 1970 and from the UK by 30 per vent, but the most rapid increase has come in a trebling of visitors from hte Netherlands, 18,800 last year, France, 16,400, and Switzerland, 14,500. Traffic investment in ferry capacity between Germany and Helsinki helps to explain the rapid growth of continental traffic.

Hotel capacity was expanded rapidly in the mid-1970s and outside Helsinki there is now adequate hotel capacity of good quality. In the capital itself capacity is tight, especially in the April-June, August-November periods, when capacity utilisation rates vary from 80 to 90 per cent.

Beds can be hard to find and the opening during the spring of the 500-room, 1,000-bed Hotel Presidenti (the largest hotel in Finland and second largest in Scandinavia) does not seem to have relieved the pressure. Average hotel occupancy in Helsinki in 1978 and 1979 was 78 and 76 per cent of capacity respectively. Outside the capital the utilisation rate is under 60 per cent.

For the true tourist (as opposed to the business visitor), Mr. Pihlstrom believes that Finland, with its forests and lakes and Lapland, has something to offer which strikes a chord in the soul of the contemporary city dweller. "People are interested in nature and the environment. It is a response to urbanisation. So we are trying to develop programmes with a connection to nature, cycling, hiking, canoeing, sailing, not to mention skiing," he said.

"Putting more substance" into what the tourist can do is an important aspect of the Tourist Board's work. Physically, this means better facilities for the tourist. Hotels are doing far more now to provide activities for visitors.

"They no longer take it for granted that the visitor knows what he wants to do when he arrives. They are making a real effort to see what they can offer, such as lighted ski-trails, instructors, guides and equipment. It is worlds away from conditions just a few years ago," said Mr. Pihlstrom.

Big spenders

On the business side, Mr. Lassi Ranta, of the Helsinki Congress Bureau, would like to be able to attract more corporate congresses to Finland in general and Helsinki in particular as corporate participants are the big spenders.

But he is up against a transport problem. The costs of travel tend to be too high to make Helsinki an attractive alternative location to other, more centrally placed congress centres, except for the Swedes. Mr. Ranta would particularly like to see the Finnish and British governments agree to allow British Caledonian to operate cheaper air routes between Helsinki and London, which he believes would produce a substantial increase in the kind of business he wants.

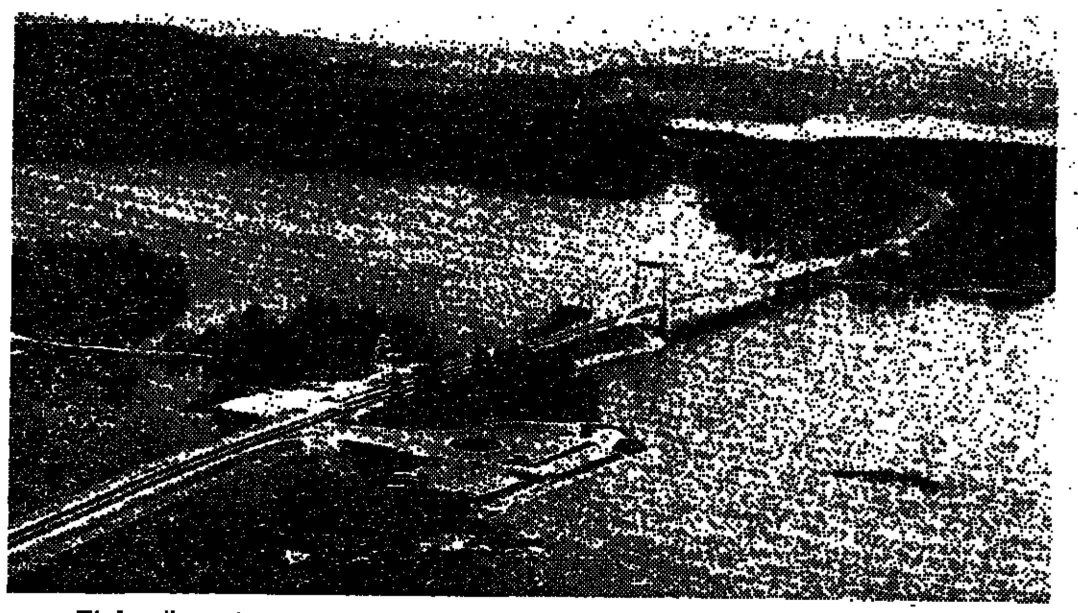
Not that Helsinki is doing too badly in the number of congresses and participants, especially since the opening of the Finlandia Hall concert and congress centre, designed by architect Alvar Aalto, at the beginning of the 1970s. Last year there were 72 Scandinavian and international congresses in Finland with 14,500 participants, a drop on the 17,600 participants in 1977 and 1978.

In 1980 there will be a record 85 congresses, but only about 13,000 participants. Bookings for 1981 indicate, however, 19,000 congress participants at 50 congresses, including 3,000 participants at the Design 81 international industrial design exhibition and congress.

The dip in congress attendance in 1979 and 1980 is slightly paradoxical. Finnish relative costs have been favourable in this period, which is reflected in the ordinary tourist business. The answer may be that the planning time for a congress is so long that organisations decide to come to Helsinki when the costs position looks good but only actually arrive when it has deteriorated again.

The Tourist Board prepares an annual survey of tourist costs relative to other European countries, and the 1979 and 1980 surveys show that Finland is a relatively cheap country to visit (once you have got there). This is notably the case in relation to the other Nordic countries, Germany and Switzerland, though Finland is roughly in line with the UK, Austria and the Benelux countries. It scores particularly well on internal transport costs and cafe prices (coffee is cheap) and hotels, but less well on retail store prices and restaurants.

H.B.



Finland's vast water system is one of the country's major tourist attractions

Boatbuilders set store by Finnish entry in Round the World Race

Boats

FINNISH yachts won the Whitbread Round the World Race in 1973 and took three of the first five places in the 1977-78 race, but none of the boats was crewed or owned by Finns. This deficiency will be remedied in 1981, when Helsinki businessman Pelle Gahmberg hopes to skipper a Finnish-built Baltic 51 boat, Skopbank of Finland.

Like the industry to which he hopes to bring renown, and which is helping to sponsor him, Mr. Gahmberg is an optimist. At 55 he will surely be the oldest skipper and probably also the oldest contestant in the race, and his 51-foot vessel will be among the smallest. He has had to pitch in almost everything he owns and take a sabbatical year off from his hearing aid importing and distribution business to make participation in the race possible. His two sons, Kenneth, 29, and Stefan, 20, will be among the crew.

Mr. Gahmberg is sailing for the love of it and hopes that financially he will be able to make ends meet and no more, but the Finnish small boat industry sets considerable store by the project. Finnish boats have won an excellent name for themselves in recent years and the industry has easily surpassed Sweden as the biggest producer of small boats in Scandinavia.

The growth of the industry has been little short of phenomenal. In 1970 3,000 boats were exported at a value of \$2m. Last year 14,000 boats were exported at a value of \$67.3m. Last year was a particularly good year. The number of vessels exported jumped from 9,000 to 14,000 and the value from \$44.8m to \$67.3m. First quarter figures this year indicate progress will be maintained: 3,418 vessels were exported compared with 2,734 in the same period last year.

By far the largest share of exports go to Sweden, 9,565 boats worth \$24.3m last year, with another 3,400 boats going to the other Scandinavian countries. Many of the more valuable boats, however, go further afield, with Germany, the U.S., the UK, the Netherlands and Switzerland the most important markets.

Price and quality are the keys to the industry's success, according to Mr. Bjarne Nordgren, a retired army officer who runs Finnboat, the official organisation of the boating industry. There is a long tradition of craftsmanship, especially in the handling of wood, to help keep quality high, but traditional craftsmanship is only a small part of the story. For example Nautor, the company which built the Swan yachts which did so well in the round-the-world races, does extensive computer simulations of the design to optimise hull and deck strengths and to eliminate the unnecessary use of materials.

Added spice

Baltic Yachts, builders of Skopbank of Finland, is another of the firms specialising in the production of luxury yachts, though the Baltic class vessels are rather smaller than the Swans or Siltala Yachts' Nauti-Cat motorsailers, another successful luxury line. Baltic Yachts was founded in 1973 by five young men who broke away from Nautor to do their own thing, which of course gives spice to the round-the-world challenge by Skopbank of Finland.

There are about 50 small-boat manufacturers altogether, most of them small units (though often subsidiaries of large companies). Yachts and motor-cruisers are only part of the extensive product range, which includes work-boats, pilot-boats, trawlers, motor-boats and boating accessories.

The Swan and Baltic yachts are designed respectively by U.S. designers Sparkman and Stephens and Canadian designers C and C Design Group, but recently Finland has produced some first-class designers of its own, including Hans Groop, who designed among others the successful selling Finnsailer 34 motor-sailer for the Fiskars boatyard at Turku and the Lohi Oy's Lohi 34 sailing yacht.

Another name which is becoming known internationally is Eivind Still, who was able to retire from his job as headmaster and mathematics teacher to become a full-time yacht designer in 1976 after his Finnfire II won the world three-quarter-ton championships in Plymouth in the same year.

A factor which has helped the Finnish boatbuilders to success is their ability to co-operate when it comes to export marketing. "They fight like hell at home, but they work very well abroad," as Mr. Nordgren put it, and as Finnboat co-ordinates the export effort he should know.

The producers participate in international boat shows under the Finnboat device and Finnboat and the Finnish Foreign Trade Association jointly produce export catalogues. The co-operation gives the industry a punch in export markets which it would lack if the companies acted alone.

The co-operation also extends to the successful Floatboat Show arranged every other year. For this year's floating boat show about 60 boating journalists from 15 countries were invited to take part in four days of yachting during which the journalists had the opportunity to sail the boats and talk to producers and crews about the yachts.

H.B.

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The lessons of Three Mile Island

By DAVID FISHLOCK, Science Editor

A KEY event in the recovery of the Three Mile Island reactor in Pennsylvania began at the weekend. The first release of gas occurred, but was stopped after only four minutes when alarms, set very cautiously, suggested it might be leaking too quickly.

The reactor's owners, General Public Utilities, had concluded that it was probably better business to try, over the next two to three months, to repair the reactor to the satisfaction of the U.S. safety authorities than to decommission it. Earlier this month they obtained permission from the U.S. Government's nuclear inspectors for the first step in recovery, the venting of radio-active krypton-85 gas accumulated inside the reactor, as a by-product of nuclear fission reactions during the accident.

Fortunately, this gas is at a pressure well below that outside the reactor, so there has been no tendency for it to leak inadvertently. But while it stays in the reactor it remains a big

The plan is to leak gas into the atmosphere over the next few months

hazard to anyone who enters, and is also perceived as a constant threat to people living nearby. The plan, therefore, is to leak it deliberately into the atmosphere over the next few months, at a rate and under conditions the nuclear inspectors believe can constitute no public hazard. Their calculations have been verified by the Union of Concerned Scientists, one of the more expert organisations critical of nuclear energy.

Once the gas has been vented the way will be clear for the first people to go into the stricken reactor and weigh up the damage at first hand. Dr. Edwin Zebroski will be the first man to enter the reactor. "The nuclear industry needs a Red Adair," he says.

A diminutive engineer with the highly developed sense of humour of a Polish ancestry he can trace back several centuries, Ed Zebroski is convinced that the public image of the nuclear industry is hampered by the swaddling of regulations, while other industries such as oil can glamorise their dangers. He quotes a man he knew who had been told to climb up a tower erected to test a nuclear weapon, and find out why it had failed to go off: "You get to think a lot on the way up." He has had 15 months to contemplate the perils of entering this reactor.

His wife—a psychologist—takes the idea a step further by proposing that they should enter the reactor together, clad of course in protective clothing, in the full glare of the TV cameras, to help allay local fears about radiation. While the world at large has apparently been convinced by a succession of reports that no one was harmed by Three Mile Island 2 reactor—now a big tourist attraction—local people remain fearful, and some moved away from the area in the last few days.

Dr. Zebroski, whose experience of nuclear engineering dates back to the wartime Manhattan Project which developed the first atomic bombs, is probably the world's foremost expert on the condition of the Three Mile Island reactor. He is director of the Nuclear Safety Analysis Centre in Palo Alto, California, a co-operative set up last year by the U.S. electricity supply industry. His first task was to find out precisely what happened at Three Mile Island, how it happened, and how the mistakes could be avoided in

Dr. Edwin Zebroski: the nuclear industry's Red Adair

future. He provided technical support to the Kemeny Commission, which reported on the accident to President Carter last autumn, and to the owners of the pressurised water reactor.

Dr. Zebroski has no doubt that his Nuclear Safety Analysis Centre, set up in haste to conduct the post-mortem on Three Mile Island, will become a permanent institution of the U.S. nuclear industry. The $3.5m budget initially allocated by the U.S. electricity companies has been increased to $8m this year, and to $10m for 1981.

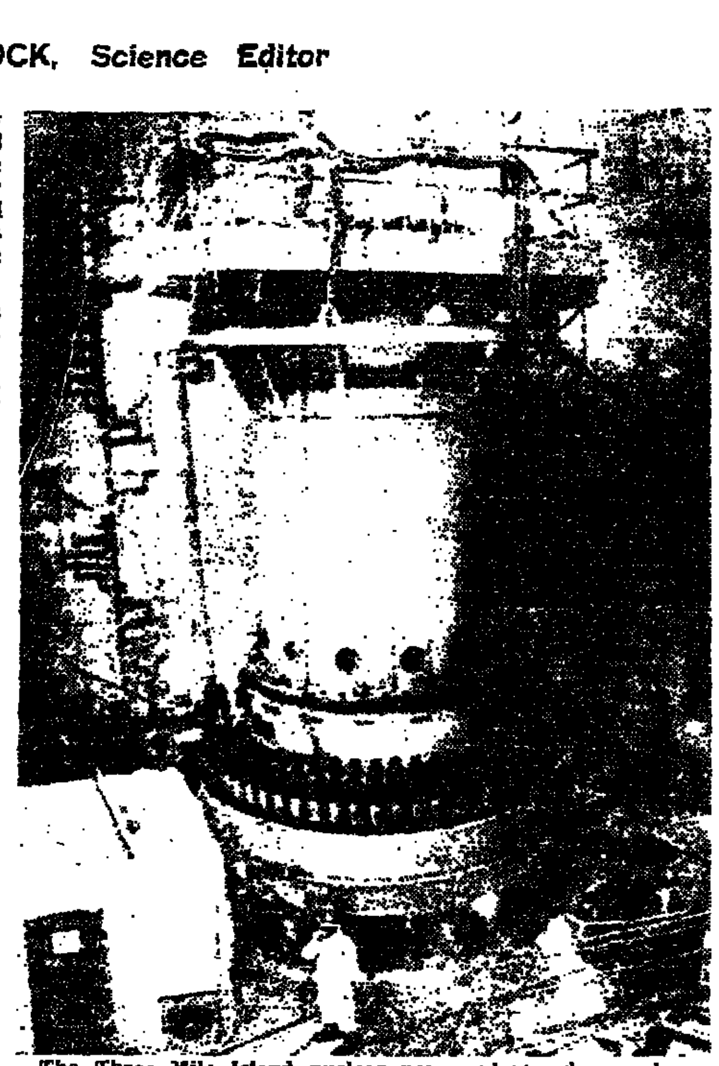
The post-mortem revealed that some of the information the operators needed during those crucial first few minutes was not available anywhere in the control room. Other data were scattered over about 150 feet of control panel. The operators simply failed to see what was happening to their reactor. Dr. Zebroski's conclusion is that essential information must be brought together and displayed in one place in the control room. He believes that the key measurements could be reduced to as few as 20, summarising the reactor's progress "towards any conceivable accident which could produce core damage" and thus pose a possible hazard to public safety.

Another big weakness his post-mortem revealed was the lack of communication between U.S. electricity companies about their experiences with nuclear reactors. Whereas the Central Electricity Generating Board in Britain has no fewer than 18 nuclear reactors in operation, and Electricité de France 14, no U.S. company has more than a handful, and many have only one or two. In the case of the U.S. Babcock and Wilcox reactor which failed at Three Mile Island, there was already a history of problems with the valve which stuck open. But the experience was not being shared. And to quote Zebroski: "If you don't communicate, you don't learn."

What the accident showed was that an event which elsewhere had been treated as inconsequential could, in different circumstances, turn out to be crucial. The reactor suppliers had tended to treat operating experience as proprietary information, even though it really belonged to the electricity companies. They might publish it if it seemed to their advantage but kept quiet if it was bad for promotion. Since the accident they have recognised a common interest in freely and promptly exchanging operating experience.

The Nuclear Safety Analysis Centre has been organising a computer-based library of the 22,000 reports of incidents in American reactors which have been accumulated by the U.S. nuclear inspectors.

"A personal network is effective when perhaps only half-a-dozen plants are operating. A more rigorously complete communications structure is need as the number of plants multiplies," says Dr. Zebroski. Since the turn of the year the 60-odd American nuclear licensees have been linked by a nearly instantaneous communications system based on a computer conferencing network. It provides a daily report on operating events as they occur and the results of analyses as they proceed. Reactor owners can use the system to search the data bank for events over the previous six months.



The Three Mile Island nuclear power plant, where valve malfunction in the reactor's cooling system released radiation into the atmosphere

Britain is one of eight countries which have asked if they can plug into this communications network and the significant events programme. A senior CEGB scientist, Dr. Bryan Edmundson, director of its Berkeley Nuclear Laboratories, has recently been in Palo Alto, studying the system as part of the preparations the utility is making for the construction and operation of Britain's first pressurised water reactor.

In piercing together the sequence of events which followed the failure of a valve to close on that fateful morning in March last year, Dr. Zebroski has suffered from the same problem as confounded the reactor's operators: lack of instruments telling him what was going on. But he believes that once the krypton gas has been vented from the reactor, a significant proportion of the radioactivity preventing entry will have been removed safely.

First, they have to solve a mechanical problem. The personnel airlock through which he would enter has jammed. He believes an electrical interlock, which normally prevents the airlock from opening unless the pressure difference inside and outside the reactor is right, has rusted solid during the 15 months since it was last used.

Once the airlock has been opened the next big step will be to scrub the walls inside the reactor and remove any radioactivity still adhering to them. If washing works as well as he expects, it will reduce the radiation level by a factor of 10 or 20, and allow those who go in to repair the reactor a working day of several hours. On this basis he believes that repairs should proceed "fairly rapidly"; and that the estimate made by Bechtel, the nuclear consultants for the owners, of a cost of between $300m-$400m for radio-active clean-up and reactor recovery, could turn out to be "very pessimistic."

Dr. Zebroski has no doubt that the core of the reactor — the nuclear fuel assemblies and their supporting structures, control rods, etc. — must have been badly damaged by the temperatures reached when cooling water levels fell well below the top of the fuel. All this radio-active material must be dismantled and stowed away safely. If permission is not given to remove the debris, and the radio-active water from the sump, from the site of the reactor, it can be stored on the island.

The two nuclear plants occupy only one-fifth of the island and there is ample room for new concrete silos to store more radio-active debris. But the more satisfactory solution would be to get it away from the site, into a nuclear waste store.

Depending on how severely damaged the core is—how much

A mechanical problem . . . the reactor's personnel airlock has jammed

of the fuel has melted, for example, to impede dismantling of the core—the task of reconstructing the Three Mile Island reactor could take up to three years.

Dr. Zebroski warns other countries against feeling complacent about the accident. The U.S., with far more power reactors in operation—56 at present—had run into problems of spreading its cadre of highly-trained reactor operators too thinly. It had also failed to develop its communications throughout the electricity industry, so that reactor operators were not being advised promptly of new problems as they arose, and how to deal with them. His worry on this point is understandable. A nuclear construction programme as badly bruised as that of the U.S. could suffer irreparable damage from another reactor accident in the next few years. anywhere in the world,

Letters to the Editor

Gin and peaches on Sunday

From the Director, National Consumer Council

Sir,—So yet another attempt to amend our ludicrous Sunday trading laws has failed. By 121 votes to 79, MPs voted against Mr. Clement Freud's request for leave to bring in a Bill which would have brought a little more logic and commonsense into a law which is currently riddled with anomalies and openly flouted in many areas.

As the law stands at present, a mother may buy a bottle of gin on Sundays, but not milk powder for her baby's bottle, a fresh peach but not canned peaches, she may sit down and eat a meal in a public restaurant but not buy a Sunday joint to cook at home (unless the shopkeeper, for religious reasons, closes on Saturday instead of Sunday). She may buy a newspaper but not a birthday card from her local newsagent, aspirins but not tights from the chemist. Where is the sense in a law like that?

It is openly defied in some areas where local councils turn a blind eye to the regulations.

Mr. Thomas Tornery, MP, dangled before the House of Commons the bogey of shop assistants being forced to give up their leisure and work on Sundays if Mr. Freud's Bill went through. But there are other laws protecting shop assistants from working excessive hours and ensuring that they get adequate time off.

Amending the Sunday trading regulations would not force assistants to work seven days a week, 52 weeks of a year. It is interesting to note that in Scotland, where Sunday trading is already permitted in virtually everything but hairdressing, you do not find every shop opening on Sunday. The trend is more towards Sunday opening by big stores at special periods—near Christmas for instance—with the small corner shops being mainly the ones which open regularly on Sundays.

A survey carried out by the National Consumer Council in 1978 did not reveal an eager majority of consumers wanting to shop on Sundays. It did, however, show that a significant minority wanted to do so. Twenty-one per cent, for instance, said they might visit food shops if they opened on Sundays—compared with the 2 per cent who said they did most of their household shopping on Mondays and the 4 per cent who did it on Wednesdays. Younger, working wives, especially, tended to be keen on Sunday shopping, for obvious reasons.

The House of Commons vote went directly against the views of consumers as shown by a Home Office survey published in 1975. According to this, consumers believed, by a five to three majority, that shops should be free to choose their own opening hours.

Jeremy Mitchell,
National Consumer Council,
18, Queen Anne's Gate, SW1.

Placing money with councils

From Councillor J. Duke

Sir,—I notice that Mr. A. Twist (June 19) indicated that "lenders to local authorities should pay more heed to the existence of the safety-net provided by the Public Works Loans Board than to the political outpourings of councillors."

On several occasions during the last two years I have, in Manchester, objected both in committee and in council to non-viable capital projects, which have now commenced, incurring heavy debts and one of the reasons for putting the city "in the red."

It was suggested at a policy and finance meeting last week, that Manchester was not a bankrupt city and the assistant city treasurer indicated that the assets far outweighed any liability, but he did not suggest that any of these assets should be sold to relieve the enormously increased rate burden. A supplementary rate this year and a possible rate next year of £2.50 appears likely. Hardly a rate to attract new businesses or industry to the area!

It is undoubtedly correct that all financial advisers must look to the security of monies placed by them on behalf of their clients, and it is inevitable that cities with an accumulated deficit of over £21m, such as Manchester, must be less attractive for investment than other more reliable sources.

(Councillor) John Duke.
7, Thurleigh Road,
Didsbury, Manchester.

Capacity to pay

From the Chairman Wider Share Ownership Council

Sir,—Lombard's article of June 25 is a timely reminder of the nonsense inherent in the statement that wage levels should depend on the capacity of employers to pay. One hopes that this theory has been falsely attributed to Ministers by the publication of statements taken out of context. It can, in a very restricted sense, be defended but it has, of course, been widely and deliberately interpreted to imply that the payment of maximum wages should be the first claim on a company's revenue.

As Lombard so rightly points out, the only proper level for remuneration is the market-clearing price of the type of labour concerned—or, perhaps more truly, the level at which productivity is maximised. The notion that companies ought to pay more at the expense of their shareholders, in addition to the other regrettable consequences described by Lombard, creates a further disincentive to the investment of savings in British industry and commerce.

E. W. I. Palamountain.
Wider Share Ownership Council,
Juxon House,
94 St. Paul's Churchyard, EC4.

Management and current cost accounting

From Drs. A. Berry and S. Howell, Professor A. McCosh and Mr. E. Whiting

Sir,—Your leading article of June 19 ("Management misinformed") has already been attacked by Mr. C. G. Kenyon (June 24) and Mr. David Allen (June 26). Broadly speaking, we at Manchester Business School would support both of them in their contention that current cost accounting can do little to improve the quality of management decision-making.

We feel we have some authority to speak on this matter because we have been for some two years engaged on a research project exploring the responses and reactions of management to the whole question of inflation accounting. By the end of the project, which has another year to go, we shall have studied about 30 companies in some depth after visits lasting from one or two days to one or two weeks.

Our findings so far are similar to those of the authors of the article in the Bank of England Quarterly Bulletin which we feel was rather misrepresented in your leading article. We would agree with them and with you that CCA results are a much better guide to dividend policy and are giving finance directors good reasons for reducing excessive pay-outs which have not been earned in real terms. But this has little to do with management accounting, which must be strongly linked with the organisation and processes of the business.

The Bank of England authors found many special cases and variations in practice. We would go further and say that all companies are different. Like people, there are no two businesses precisely alike in all their characteristics. They have different history, tradition, philosophy, organisation and style of management. They have different levels of complexity, different levels of variety in materials used and in products sold. They carry out different processes and have different lengths of production cycle and levels of stock and work-in-progress required. All these things have affected their response to inflation and the changes, if any, that are made to their planning and control systems to cope with it.

Current cost accounting is a compromise arrived at after years of debate and may be the best that can be achieved at the moment. It is based on the assumption that companies replace their capital equipment as it is worn out, their stocks as they are sold and the "oper- by their changes ETAOIN bg ating capability" represented by their other assets. For many companies and operations the CCA model is reasonable and, indeed, as regards stocks, most companies do adopt, we have found, some kind of replacement cost basis. Others whose business is not based on direct replacement of stock find such a method useless as a means of control. Examples are companies dealing in commodities, having to buy in large amounts of seasonal foods or coping with the vagaries of fashion. But most companies, let it be said, do find the CCA basis for cost of sales suitable in principle.

As regards capital equipment, replacement may be a very long way off. The future may be very uncertain. Great changes may be taking place. In some high technology industries the price of capital assets may be falling (witness the micro-chip). On others (for example, textiles) replacement of machinery at current cost could scarcely be contemplated. Some textile companies we know are relying on good maintenance and reconditioning to keep their machines going for many, many years. To such companies replacement cost depreciation seems, and is, totally unrealistic.

When we come to the financing adjustments that have been tacked on to CCA, that is the monetary working capital and gearing adjustments, even less are they suitable for management accounts. The methods by which a company is financed have no relevance to most operating management. In the appraisal of the performance of a department or division through management accounts a reasonable charge for use of the company's capital should be borne in mind. But this should be presented in a way that coincides with statements of the company's objectives and is understandable to the users of the accounts.

Generally, it must be the case that a rate of return on capital employed expressed on a current cost basis gives a truer picture than on historic cost basis. But many of the problems of using return on capital employed as a measure of performance remain. Both bases suffer from the arbitrary nature of depreciation and asset life assumptions and the variations arising from long-term as opposed to short term capital projects and from the use of new as opposed to old assets. For some companies these disadvantages will not be important and they can be taken into account when interpreting the figures. Comparison between company divisions with different characteristics and capital intensity can be dangerous using returns on capital employed and this is the same for CCA as for historic cost.

The Bank of England article ignores the way people react to management accounting statements. Their basic function is for management control, which will fail if the system of measurement is inappropriate, is not convincing or is not understood. To change the internal system because the CCAB says so (which fortunately it does not) could possibly have an effect opposite to that intended. Management must, of course, appreciate the effects of inflation on their internal accounts and should consider carefully the merits of CCA. But having done that, we believe that the adoption of CCA type measures in management accounts is best left to the companies who know what is appropriate and what is not for their business.

It is in planning and decision making that inflation is probably creating the greatest havoc, especially in the appraisal of capital investment, new projects and products and anything which involves taking more than a one or two years' look into the future. CCA does not help here and does not tell you, after the event, whether your decisions have been right.

Current cost accounts certainly give a fairer picture to the outside observer of a company's peformance in relation to some measure of capital maintenance, but it is no guide, any more than historic cost accounts, to decision making. Splitting down the current cost accounts into smaller units is not necessarily very likely to help the company already in trouble to get out of it.

And it is not altogether strange that countries like France and Italy with fairly high inflation rates have reached a pretty high level of industrial performance, by international standards, without the benefit of CCA.

(Dr.) Tony Berry,
(Dr.) Sydney Howell,
(Professor) Andrew McCosh,
Edwin Whiting,
Manchester Business School,
Booth Street West,
Manchester.

Today's Events

GENERAL

UK: Green Paper on companies purchasing own shares.

National Union of Railwaymen annual meeting continues, Guernsey.

Mr. Michael Heseltine, Environment Secretary, opens world's first Primatorium, 277, Pentonville Road, London.

House coals and smokeless fuels price rise by about 5 per cent.

Access cardholders' new facility to draw cash advances of up to £100 a day when abroad.

Presentation of National Free Enterprise Awards for 1980—including Sir Hector Laing and Sheerness Steel Company, Press, Centre, London.

Old sixpence (2½p) ceases to be legal tender.

Malaysian High Commissioner, Raja Tan Sri Aznam, opens Stanley Gibbons exhibition of Kedah Stamps, 399, Strand, WC2, noon.

Queen and Duke of Edinburgh visit Edinburgh.

Overseas: EEC Foreign Ministers meet, Brussels.

Second and final day of Moscow visit by Chancellor Helmut Schmidt of West Germany.

Senegal Budget.

Dominion Day, Canada.

PARLIAMENTARY BUSINESS

House of Commons: Debate on Opposition motion on INMOS until 7 pm. Debate on Liberal motion on need for prices and incomes policy. Motions on the Financial Assistance (Offshore Supplies Grants) Scheme, and on Petroleum (Production) (Amendment) Regulations.

House of Lords: Social Security (No. 2) Bill, report stage. Motions to approve Welfare of Livestock (Deer) Regulations 1980 and Veterinary Surgeons Act 1966 (Schedule 3 Amendment) Order 1980.

Select committees: Foreign Affairs, Overseas Development Sub-Committee. Subject: Development Divisions. Witnesses: Overseas Development Administration (Room 15, 5.15 pm). Transport. Subject: Channel Link. Witnesses: Freight Transport Association (Room 17 6 pm).

COMPANY MEETINGS

Aberdeen Investment Trust, 2, Queen's Road, Aberdeen, 10.30. Belgrave (Blackheath), Plough and Harrow Hotel, Birmingham, 12. Downibrae, 7, West George Street, Glasgow, 12. Energy Services and Electronics, 116, Pall Mall, SW, 12.

British Benzol falls and warns of midyear losses

A SHARP decline in the second half meant that British Benzol Carbonising finished the year to March 31, 1980, with taxable profits well down at £774,000, against £1.25m previously, and the directors say substantial losses will be incurred for the first half of the current period.

However, the net total dividend is maintained at 2p, although the final is being reduced to 1p (1.5p).

The directors of this manufacturer of coke and coal by-products say the engineering and steel strikes effectively reduced the 1979-80 trading year to eight months.

"The current year has been dealt a massive blow," they continue, "firstly by our major customer—the British Steel Corporation—not resuming off-take after the strike and, on April 22, stating that we were no longer required as suppliers.

"Furthermore, they intended to become net sellers of coke. In short, our major customer would become a competitor.

"It is regretted that the British Steel Corporation did not allow the company a period of notice in which to identify and penetrate substitute markets which were already severely affected, with selling prices reflecting the very large stock overhang created during the strike."

The company has also been hit by a "major manufacturing problem" in its South Wales plant which has proved extremely costly. Remedial action has been taken but some time will be needed to recover fully from the effect, the directors add.

Sales improved from £18.26m to £20.06m in 1979-80. After a tax credit of £77,000 against a £257,000 charge, net profits came through at £851,000 (£997,000).

Stated earnings per 10p share were down from 10.5p to 9p.

HIGHLIGHTS

Lex looks at Ferranti now that the National Enterprise Board has decided on the destination of its 50 per cent stake and the column also looks at the more optimistic sectors of the U.S. economy. Elsewhere, the results from Petbow prompt an examination of the world market for generator sets, profits from which are heavily down as a result of the winter's disputes and the company is warning of substantial losses following the loss of the British Steel Corporation as a key customer. Louis C. Edwards, the Manchester meat company, has been through many changes and the new management is forecasting a career of strong growth, and acquisitions, in the food manufacturing, distribution and retailing spheres.

● comment

The engineering and steel strikes clipped pre-tax profits at British Benzol Carbonising by 38 per cent last year and the sudden loss of prime customer British Steel will cause a substantial loss in the first half of this year. British Steel accounted for 40 per cent of Benzol sales last year. Worse, BSC's optimism a year ago incited Benzol to convert part of its South Wales foundry coke plant to blast furnace coke production and to invest £¾m in selling by-product gas from its Randolph plant in the North-east. The South Wales plant has since returned to 100 per cent foundry coke production, after some expensive technical hitches, and Benzol is combing the EEC for new customers. The going is tough, especially now that BSC is a competitor instead of a customer, but the group is confident enough to have maintained the 1p net final dividend at a cost of £95,000. Benzol has more than £4.5m of shareholders' funds and no debt at all but the shares still dropped 7½p yesterday to 30p where they trade at 3.2 times stated earnings. The yield is 10 per cent.

Pentos still seeks Caplan settlement

Mr. Terry Maher, chairman of publishing and industrial group Pentos, told shareholders at yesterday's annual meeting that "steps are being taken to recover further sums" in respect of the group's purchase last year of furniture maker Caplan Profile.

Pentos bought Caplan for £7m. It was then found that stock figures overstated Caplan's assets by some £950,000. In a separate matter, Caplan missed its £1.4m profits forecast for 1978-79 by £400,000. Pentos then received £700,000 from chairman Mr. Ian Caplan and his family.

Mr. Maher said that counsel had been instructed, but the group hoped for an out-of-court settlement. He declined to specify the parties potentially involved in the action. Information on the deal was supplied to the Pentos board by Caplan's professional advisers, bankers Singer and Friedlander, and auditors Malvern and Co.

Mr. Maher told shareholders that, in re-appointing Pentos auditors Neville Russell and Co., they should be aware of the "possibility of proceedings" involving the auditors. The Pentos board, said Mr. Maher, "unanimously recommend" re-appointment of Neville Russell, and the motion was unanimously carried by the meeting.

In the current year, the group's bookselling, engineering and construction hire businesses are operating "in line with trading plans," said the chairman. In publishing, which suffered last year, the group expects "only a modest recovery." Gardening, camping and furniture businesses "had a poor first half."

The group outlook for the full year is "cautious," with interest charges likely to play a major role in the profits out-turn.

The meeting approved the group report and accounts for 1979, and the re-election of retiring directors Mr. M. V. Blank and Mr. C. W. Freedman.

Petbow incurs £0.9m deficit

FOLLOWING THE turnround from profits of £1.13m to a £576,000 loss at midway, Petbow Holdings, maker of generating and welding sets, ended the year to March 31, 1980, with a pre-tax deficit of £898,000 compared with profits of £1.2m previously. Sales were down from £18.11m to £16.01m.

Losses will continue in the first half of the current year, the directors say, but they aim to bring the group back to profitability as soon as possible.

Stated loss per share is 11.34p against 10.41p earnings and no final dividend is being recommended leaving the 1.5p interim as the only payment for the year. Last year's total of 4.5p included a 3p final.

	12 months 1979-80 £000	12 months 1978-79 £000
Turnover	16,009	18,108
Loss	898	*1,595
Except. items	—	398
Loss before tax	898	*1,197
Tax	506	†270
Extraord. credit	—	50
Attrib. loss	1,404	*1,517
Dividends	254	550
Loss to reserves	1,658	*967

*Profit. † Charges.

There has been a sizeable stock relief clawback resulting in a significant tax charge of £506,000 (£270,000 credit). However this charge is deferred for at least a year under provisions of the Finance Bill 1980.

To reduce the burden of interest costs, directors have substantially reduced the borrowing level by significantly lowering the inventory. The ratio of borrowings to shareholders' funds at March 31 was 17 per cent.

St. George's Laundry payout doubled

Pre-tax profits up 48 per cent from £102,346 to a record £151,794 are reported by St. George's Laundry (Worcester) for the year ended February 29, 1980. Turnover rose 23 per cent from £1.55m to £1.9m.

Earnings per share before extraordinary items are stated as 6.51p against 4.7p and a final dividend of 0.84p doubles the total to 1.4p.

Extraordinary items in the year of £20,321 represent costs incurred in successfully defending the takeover bid from Provincial Laundries. Tax charge is £2,171 (£5,839) leaving net profits at £153,965 against £111,185.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Benzol	1.0	Aug. 18	1.5	2.0	2.0
Kleen-e-ze	4	Aug. 28	3.63	5.5	4.5
Petbow	Nil	—	3	1.5	4.5
Norfolk Capital ......int.	0.5	—	0.5	—‡	1.2
St. George's Laundry	0.84	Aug. 5	0.42	1.4	0.7
United Kingdom Prop.	0.53	Oct. 1	0.42	0.53	0.42
Walker and Staff Hldgs.	1.35	Aug. 14	0.68	1.35	0.68

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Maintained final of 0.7p forecast.

£206m of new money raised during June

A total of £206m was raised in the UK in June by new issues, compared with £153.9m in the same month last year.

The June 1980 figure, which exceeds the combined total for the previous five months, brings the amount raised in the half-year to £401.9m compared with £646.3m.

The bulk of the June total was accounted for by two rights issues, one of £106m by Land Securities—the largest single issue in four years—and one of £51.7m by Harrisons and Crosfield.

Emphasis on renewal at Reed Intl.

THE EMPHASIS at Reed International is now on renewal, shaping and re-sharping the group to enable it to live effectively and profitably in a continuously changing and often hostile environment, says Sir Alex Jarratt, chairman, in his annual statement.

The speed at which the group can develop new or extended activities will need to be related carefully to its available resources and "we have our past to remind us of the dangers of over-extension," he adds.

A total of £55m was spent on fixed assets during 1979-80, an increase of £7m over the previous year and equivalent to current cost depreciation. Sir Alex says the group expects to spend at least as much again in the current period while maintaining a rigorous scrutiny of the purposes for which the new investments are made and of the returns expected from them.

Last year, £30m (£22m) was spent on the paper and packaging side, and £14m (£9m) on publishing and printing. Expenditure in the building and home improvements division was the same at £11m, while £6m (nil) was spent in Australia and South Africa.

Sir Alex says the drive for improved returns must lie in a continuous process of renewal—of product, market, equipment and of businesses as a whole.

He points out the past year's successes—the return to profits at the North American decorative products businesses; the doubling of European building products' trading profits; and the further improvement in Crown Paint's profitability, which has encouraged the group to sanction a major programme of plant modernisation.

"But it is not all one way," he adds. The programme of restructuring the UK wallcoverings business has still to be completed and heavy, but adequate, provisions have been made to cover the costs that will be incurred in the current year.

Another area of concern and for action is in the production of newsprint and waste based liner in the UK, where the losses now being incurred are not acceptable.

Group pre-tax profits rose from £83.4m to £99.9m for the year to March 31, 1980, as known. On a CCA basis, the taxable surplus was reduced to £55m (£45m).

Shareholders' funds increased from £434m to £495m. Net debt fell during the year to £115m (£226m) with a consequent reduction in the debt/equity ratio from 80 per cent to 34 per cent. The directors believe the present level of gearing is appropriate in the current economic climate.

Net cash holdings were £101m (£85m) at the year-end, of which £82m was held in overesas currencies. Loan capital was reduced from £311m to £216m.

The directors state that, for current cost accounting, the value of land and buildings, of which 88 per cent was derived from professional valuations over the last three years, was £194m compared with the book amount of £77m.

They believe the market value is fairly represented by the current cost values and propose, subject to further independent confirmation, to incorporate the current cost property valuations in the historical balance sheet next year. Reviews will then be made at least every three years.

The accounts show that, as a result of the sale of the Dryden, Canada, operations, Reed Ltd and the purchaser, Great Lakes Forest Products, have agreed to share equally any liability up to C$15m (£5.56m) plus costs arising from the existing or any future proceedings relating to the alleged past discharge of pollutants by the Dryden operations.

Meeting, Institute of Electrical Engineers, WC, on July 30 at noon.

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Blue Circle off to good start

THIS YEAR had got off to a good start for Blue Circle Industries, the international cement manufacturing group, in spite of continuing problems arising from high inflation, high interest levels and a high exchange rate, Sir Rowland Wright, chairman, told the annual meeting.

The mild weather at the beginning of the year had allowed the group to maintain home cement deliveries at a reasonable level and demand for non-cement products continued to be strong.

Overseas performance was also on an upward trend and results for the first half of the year could be expected to show a welcome improvement over the corresponding period last year, when pre-tax profit was £20.6m.

Sir Rowland said it was too early to say whether the improvement would continue through the second half of 1980 "although there is probably enough building work already in progress in the UK to cause us to be reasonably hopeful."

The group intended to spend nearly £80m on capital projects, mainly related to cement manufacture in the UK this year. It was also hoped to continue to allocate substantial sums over the next decade for manufacturing facilities, including the provision of at least one new cement works.

It was against that background that the UK cement industry had to raise its return on investment and the recent substantial price increase should be seen as an essential part of that process.

Sir Rowland said forward capital programmes presuppose that Government and others recognise the importance to Britain of maintaining an effective and viable cement industry and will support our need for access to raw materials and also accept the necessity to streamline planning procedures to enable decisions to be taken within a reasonable time span.

"It is now taking about five years to achieve decisions on major quarrying proposals at existing works, and sometimes much longer."

Cement operations would remain the core of Blue Circle's UK business, but at the same time it was intended to widen the base of its UK operations to develop business in complementary areas.

A major part of group's strategy was to widen further its already substantial interests overseas, with particular emphasis on those areas in the developing world where oil, coal, gas and other mineral resources afforded good prospects for economic growth and an assured demand for cement.

In spite of current difficulties and recessionary trends, the chairman believes the group could be optimistic about the future. Blue Circle was a soundly-based company and well equipped to meet the challenges of the 80s.

Mr Hodding leaves St Piran

Mr. Henry Hodding has resigned as chairman of South Crofty and Milbury, two subsidiaries of Saint Piran, the controversial suspended tin mining company. Mr. Hodding resigned from the Saint Piran board, where he had once been chairman, two weeks ago.

At the time he explained that he had intended to leave the group sooner but had been "caught up in its troubles and had to see it all the way through." The troubles have included a Department of Trade investigation, still continuing into the true control of the company.

On June 12 the Stock Exchange, in one of its strongest ever statements said that St Piran's shares would continue to be suspended unless a number of stringent requirements were met. These all related to the position of the board and its relationship with Mr. Jim Raper and the Hong Kong company Gasco Investments. The Takeover Panel has found that Gasco and its associates must make a full bid for St Piran.

Meanwhile Mr. Malcolm Stone who is both chairman of St Piran and managing director of Gasco now also becomes chairman of South Crofty and Milbury.

Walker and Staff doubles dividend

The directors of Walker and Staff Holdings, stockist and distributor of engineering supplies, have doubled the dividend from 0.675p to 1.35p after forecasting at the interim stage that it would "at least be maintained."

Pre-tax profits were down from £213,696 to £198,790, however, in the year to March 31, 1980. Turnover for the year advanced from £2.84m to £3.2m.

After tax up from £29,588 to £55,352, stated earnings per 5p share are lower at 6.32p compared with 8.18p.

At the interim stage, the directors said the reduction in trading profit was partly due to an increase in overheads following the commencement of trading at the Uxbridge warehouse and failure to achieve sales targets due to the engineering dispute. A continued pressure on margins was forecast.

Kleen-e-ze ahead to over £681,000

From turnover of £11.44m against £8.66m, profits of Kleen-e-ze Holdings, the brushes and cleaning devices group, improved from £550,949 to £681,794 in the year ended March 31, 1980 before tax of £141,615 compared with £135,665.

A final dividend of 4p per share lifts the year's total from 4.5p to 5.5p.

With first half profits showing a rise from £235,856 to £390,984, the directors considered then that the satisfactory trading pattern would continue for the rest of the year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Winterbottom Trust.

Finals: Avana, Geo. Bassett, Burtonwood Brewery, Imperial Continental Gas, Marston Thompson and Evershed, Property Holding and Investment Trust, Rexmore, SGB.

FUTURE DATES

Interims:	
Amatil	July 9
Barr (A. G.)	July 2
Gillett Brothers Discount	July 22
Finals:	
Bromsgrove Casting, Machinery	July 8
Caird (Dundee)	July 3
Caledonian Assocd. Cinemas	July 2
Celestion Industries	July 3
Fitch Lovell	July 31
General Electric	July 3
Harris (Philip)	July 10
McKay Securities	July 8
South Crofty	July 4
Toothill (R. W.)	July 7
Town and City Properties	July 4
United British Securities Trust	July 8

Mitchell Cotts in Ugandan settlement

Mitchell Cotts has reached agreement with the Republic of Uganda over the rehabilitation of tea estates which were appropriated by the government of Idi Amin.

A new company has been set up with a share capital of £7.8m, equivalent to the worth placed on the estates by independent valuers. As agreed with the Ugandan Government late last year, Mitchell Cotts will hold 49 per cent of the new company and the Government will own the remainder.

When the Ugandan assets were expropriated in late 1972, they had a book value of £3.4m, of which £2.8m represented the estates themselves. The establishment of the new joint company represents a partial settlement of Mitchell Cotts' compensation claim, though the group has yet to finalise details of payment on other outstanding claims.

NEW SECRETARY

Oil and Associated Investment Trust has announced that Seton Trust have resigned as secretaries. Oil and Associated has set up its own secretariat and Mr. K. W. Cunningham, a director, has been appointed company secretary.

Newton-Mason to resign AS chairmanship

Mr. H. E. Newton-Mason is to resign as chairman of Associated Sprayers, the garden sprayers manufacturer, with effect from August 31, 1980.

He will be succeeded by Mr. R. W. O'Beney, the present vice-chairman and chief executive. Mr. Newton-Mason will continue to serve the company on a consultancy basis.

Norfolk Capital runs into losses but holds interim

A FALL in demand for hotel and catering services leading to increased competition meant that Norfolk Capital Group swung from taxable profits of £114,180 to losses of £55,676 for the half-year to March 31, 1980. Turnover rose from £3.56m to £4.15m.

The directors warn that full-time results will not be as favourable as last time, when taxable profits were a record £914,000. However, they express their confidence in the group's future by maintaining the interim dividend at 0.5p net, and they expect to be able to hold the final at last year's level of 0.7p.

The present difficult trading conditions are likely to continue in the coming months but two new Fairway Inns will be fully operational by the end of September. Certain hotel and ancillary properties have been sold since March to help meet the cost of these investments, the directors state.

There was no tax charge for the six months, compared with £26,000 last time, giving stated losses per 5p share of 0.29p (0.67p earnings).

● **NEWS ANALYSIS — PETBOW'S £0.9M LOSS**

A struggle for overseas markets

BY ALAN FRIEDMAN

THE PAST year has been an extremely difficult time for British manufacturers of electric generating sets and Petbow is just one of several companies still reeling from a long catalogue of difficulties.

The main feature of this general slump was the virtual collapse of key export markets last year in Iran, Iraq, Nigeria and Turkey. These countries accounted for nearly half of sales by UK groups in a business whose survival depends upon the export trade. Industry exports declined nearly 40 per cent from £149m in 1978 to £93m last year.

Along with competitors like Dale Electric and Hawker Siddeley Power Plant, Petbow has also faced stiff competition from the Americans, Germans, Koreans and Italians. The strength of sterling has combined with higher UK production costs and inflation at home to push the group into loss.

Mr. James Bird, who is chairman of both ePtbow and the Association of British Generating Set Manufacturers, said yesterday that global over-capacity and politcal chaos in traditional markets reduced world industry sales from £720m aggregate value in 1978 to around £550m in 1979.

For Petbow, this meant a 17 per cent drop in sales and a drastic fall into pre-tax loss. Mr. Bird claimed that U.S. companies were increasing their market share by offering generator sets at 20 to 25 per cent below UK prices.

Part of the reason behind this has been that a more buoyant U.S. domestic market allowed for competitive pricing overseas. But the availability of low-cost export credits from the U.S. Government was another powerful incentive to buy American.

Mr. Bird said that on behalf of British makers of generators he had initiated conversations with Government ministers in order to attain UK credits for overseas customers. "So far there has been no tangible evidence that we are going to get help," he said.

Nevertheless, competitor Dale Electric, which suffered an interim drop in pre-tax profits from £1.9m to £434.00, is still making some profits but at perhaps £1m pre-tax this year earnings are only about a third of previous levels.

Dale has the benefit of offering custom-made generators, no smal advantage considering that generator sets go mainly to Third World countries with particular requirements in building their economic infrastructures.

Mr. Ian Dale, a director, was more optimistic about future prosepcts than was Petbow. "We see this year as the bottom of the trough, but things are looking up," he said. This is due partly to the re-opening of the Nigerian and Iraqi markets and also is based on the fact that generator sets account for only 55 per cent of Dale's group turnover, against more than three quarters at Petbow.

Petbow is taking a number of steps to remedy its current malaise. The group is to follow last year's redundancies with further streamlining and new overseas efforts.

A marketing base is to be opened on the Continent shortly to improve business there. Petbow is also introducing a new range of generating sets under the name "Powercenter." These will make use of integrated circuit technology and are to be more competitively priced.

In Asia, Petbow is to go after further markets by opening a factory in Singapore. The goal is to concentrate on the export business since domestic trade depends in large measure on public authority spending, hardly a growing area.

There are signs that Petbow's long-term strategy may eventually pay off. The Iraqi boycott on British goods is over, it is now easier to do business in Nigeria and depending on economic sanctions, the Iran market could re-open in a year or two.

The short-term outlook, however, remains clouded and not just for Petbow. Auto Diesels, a generating set subsidiary of Braby Leslie, plunged from £600,000 to £100,000 pre-tax last year. G and M Power Plant, a subsidiary of recently taken over S. Hoffnung, suffered a small loss last year.

In the current year, Petbow has already predicted losses at the half-way stage and will be doing well to break even by the year-end. International competition remains fierce, with some UK manufacturers now accusing American counterparts of "dumping" in the important Middle East markets.

On the Stock Exchange, the share price of Petbow has shrunk to a depressed 36p, against 60p a year ago. Dale Electric's share price, which reached a 1979 high of 194p, fell almost 40p when interim results were revealed in April it was resting at 78p yesterday.

It is now clear that the generating set business in the UK is embarked upon a long programme of rationalisation. When the sector rises from the ashes of current difficulties, it may be leaner and healthier than before. But little can be expected until the start of the next financial year.

Difficult trading outlook for Hargreaves Group

Hargreaves Group, the transport and fuel distribution concern will encounter difficult trading conditions during the rest of 1980 and into 1981, says Mr. D. A. E. R. Peake, the chairman, in his annual statement.

Already the recession, which is affecting many of its customers, is having its effect too in some areas of its own business. This has been expected and group has prepared for it, he says.

In the year to March 31, 1980, capital expenditure amounted to £8.29m, of which well over half was spent on replacing essential assets. Cash flow was strong at £8.46m compared with £5.74m, reflecting higher profits and historical depreciation, together with the proceeds of sale of surplus properties and other fixed assets.

He says great care is being taken over the capital expenditure programme for the current year, both because of the present high cost of finance and in the light of the difficult outlook for profits.

As known, pre-tax profits for the year to March 31, 1980 rose from £3.47m to £4.2m, but the civil engineering division of Hargreaves Construction and Plant had another difficult year with demand reduced to a minimum. It has been decided, says the chairman, to phase out this section and work will cease with the early completion of current contracts.

The Mitchell Coal Company of the U.S. was purchased during the year, and it is the intention of the group to develop this activity. At the same time it is looking to the U.S. for further development in those activities where the group has particular expertise.

On a CCA basis, the historical pre-tax profits are reduced to £566,000 (£1.32m).

Meeting, Wetherby, West Yorkshire, July 24, noon.

Laganvale Ests. declines

Profits of Laganvale Estates, property investment and development concern, fell from £20,094 to £6,821 for the year to April 30, 1980, after higher interest of £28,685, against £16,683.

Total revenue showed a modest increase from £72,209 to £72,739.

There was no tax charge. Stated earnings per 10p share were down from 1.03p to 0.24p.

Shareholders' funds increased from £139,892 to £988,528 at the year-end, as a result of property acquisitions, finaced by the issue of additional shares and the rights issue last December.

Since balance date, the company has acquired Claire Court, London W. for £217,000, and E. Godfrey Hood (Properties), Cobray Securities its subsidiary, and the goodwill of Hugh F. Shaw and Co. The cost of this deal was £114,250, of which £30,000 related to Shaw's goodwill. Shaw is an estate agency owned by Mr. Shaw who becomes Laganvale's new managing director.

The effect of these transactions would lift shareholders' funds to £1.12m.

Secured overdrafts, were well down at £87,394 (£227,542) at the year-end, while cash totalled £52,392 (£2,667) but adjusting for the later deals secured overdrafts rose to £264,387 at April 30, with cash at £10,703. At May 23, the company had secured overdrafts of £95,000.

Mr. J. W. Chalk, the chairman, says the appointment of Mr. Shaw as full-time managing director will enable the company to continue an aggressive property acquisition policy. It is therefore intended to increase the authorised capital from £0.7m to £1m by the creation of 3m 10p ordinary shares.

The unissued capital after the increase would be 36.2 per cent of the 10m shares then authorised.

Strongmead/Mr. Jim Slater own 13.3 per cent of the capital.

HENSHER

Mr. A. W. Powley has acquired 85,000 Hensher (Furniture Trades) ordinary shares being 5.3125 per cent of the ordinary share capital.

He states that "these are held purely for investment and not on behalf of any third party."

Louis Edwards recovers and cuts out loss makers

DESPITE A loss of £174,000 associated with discontinued activities, Louis C. Edwards and Sons (Manchester), butcher and meat processor, reports pre-tax profits of £211,000 compared with a loss of £344,000 for 1979. Turnover was up from £20.15m to £22.81m.

The discontinued activities are the company's wholesale catering and frozen meat manufacturing divisions. No further losses in respect of these discontinued activities will occur in the current year, states the Board.

The pre-tax operating profit in respect of the continuing activities amounted to £385,000 (loss of £180,000). After adjusting for a £19,000 operating loss arising from the frozen meat manufacturing business which has been transferred to discontinued activities, the adjusted operating profit of £167,000 compares with the forecast profit of approximately £160,000 made by the company in January of this year.

There were extraordinary debits of £373,000 (£572,000) and these represent provisions for losses in connection with the company's discontinued activities and directors' compensation for loss of office, less profits arising on the disposal of properties and a surplus arising from the closure of the company's canned meat activity. Full provision in respect of estimated costs of this was made in 1978.

There was a nil tax charge against a credit of £172,000 last time, and stated earnings per 5p share are 1.38p (loss 1.35p). As previously intimated, no dividend will be paid.

After extraordinary debits, the company had a net loss of £162,000 (£744,000).

The profit contribution from continuing activities comprises a full year from the company's traditional meat retail business, a nine-month contribuition from Yorkshire Biscuits, and a two-month contribution from Cordon Bleu Freezer-Food centres. No contribution is included for 1979 in respect of Furnise and Company, Dalgety Frozen Foods and Morgan Edwards.

The company proposes to change its accounting date to March 31, and the current accounting period will therefore be for 15 months ending March 31, 1981. The board expects to recommend a dividend in respect of the current period and to declare an interim dividend. It is the board's policy that dividend payments should increase in line with profits growth. No dividends have been paid since 1973.

The current trading performance of all group activities is encouraging as is the outlook for profits for the 15-month period.

The board believes all three major divisions offer strong prospects for future growth. The longer term objective is to develop a broadly-based food group, and the present financial climate is likely to afford attractive opportunities for development through acquisition. A number of such opportunities are currently under active consideration.

Shareholders are being invited to approve a proposal to change the name of the company to Argyll Foods.

Gulliver Foods and its parent James Gulliver Associates together own 20.3 per cent of the issued ordinary together with options to purchase a further 6.6 per cent.

● comment

With so many hopes built into Louis Edwards' shares, it is difficult to say with much certainty how the price will perform over the medium term. The group has been radically re-shaped by acquisition and disposal but does not yet offer anything of any substance other than pro-forma earnings. The first dividend for seven years will be an interim distribution for the first 41 weeks period of the current 15-month period. All that the investor can pin his faith on at this stage is that a proven management team has assembled assets which, on an historic basis, are capable of producing £1.2m pre-tax annually, excluding any contribution from the freezer outlets acquired from Dalgety. After two recent rights issues, the investor should be aware that Argyll, as it will shortly be known, is committed to fast expansion by acquisition. A deal in the U.S., among others, is in the offing. The forthcoming balance sheet, however transitory, should reveal more. It is likely to say that a fresh cash call can be deferred for some time; gearing is none too high and the new businesses are generating positive cash flow. The market capitalisation of £18.4m at 68p is already looking forward some way but if, as seems feasible, there is a place in an increasingly structured food industry for quality food manufacturing and a regional "cnovenience" retailing sub-strata such trust may be rewarded.

AQUIS SECS.

The disposal by Aquis Securities of its freehold interest in Atlas House, Cheapside, for £9.25m was approved at an extraordinary general meeting yesterday. Voting was 17.8m for, 2.5m against.

BIDS AND DEALS

ADP links up with one of America's top ten distillers

Amalgamated Distilled Products, Scotch whisky distiller, blender and bottler, where the James Gulliver Group has a 10 per cent stake, has concluded a merger which will bring expansion in the U.S. market.

The group has entered into a joint venture partnership through its U.S. subsidiary ADP Liquor Imports, Inc. with the import division of one of America's 10 largest distillers, Medley Distilling Company of Louisville, Kentucky. ADP Liquor had sales in excess of $3m during the year ended March 31, 1980. The new venture will trade under the name of ADP/Medley Import Company.

ADP chairman Mr. Ellis Goodman, said: "Medley, whose anuanl sales exceed $150m, has extensive national distribution which will provide a wonderful entree for the ADP Liquor Imports range of products and the combination should be a powerful force in the U.S. liquor industry." He also said that the move could lead to further expansionary development for ADP in the U.S.

Topping the list of ADP/Medley Import spirits will be Scotia Royale, ADP's 12-year-old premium Scotch, and Christie's London Gin.

Medley Distilling has handled the marketing of these brands for nine months and its success has encouraged the formation of the joint venture.

Other ADP Liquor products and brands for which it holds the agencies and which will be marketed through Medley, include Glen Scotia whisky from ADP's Campbeltown Distillery, Castillon Grande Bons Bois cognac, Renault cognacs and Duroc brandy.

The joint venture will also also import and market Czar Alexander vodka, tequila from Mexico and Baitz Island Cream Liquer.

The ADP/Medley beer division anticipates expansion in imported beers and will handle ADP's Bulldog lager among others.

It is expected that the ADP/Medley Import venture will add further specialist import products to both its spirits and beer diivsions in the coming months.

SHARE STAKES

Senior Engineering Group—The holding of ITC Pension Trust and ITC Pension Investments has been reduced by 866,000 shares to 4.53m (6.1 per cent). The holding of Britannic Assurance has been increased by 50,000 shares to 3.74m (5 per cent).

Trafford Park Estates—Outwich Investment Trust has sold 39,560 shares reducing holding to 950,000 (8.895 per cent).

Property Security Investment Trust—L. N. Tucker, director, has ceased to be interested in 25,000 shares.

Wood and Sons (Holdings)—Newman Industries has sold 25,000 ordinary reducing interest to 24.4 per cent.

Quest Automation — Gresham House Estate Company has sold 780,162 new ordinary being its entitlement under scrip issue.

Centrovincial Estates—J. Gold, director, has disposed of 25,000 ordinary reducing his holding to 1,998,658 shares (12.74 per cent).

Carron Company (Holdings)—L. V. Cadell, director, has disposed of 76,999 shares.

Tern-Consulate—P. J. Bardell, director, has disposed of 30,000 shares reducing holding to 226,125 shares (9.66 per cent).

West Coast and Texas Regional Investment Trust—The 517,500 West Coast ordinary now held by Colonial Mutual represent 17½ per cent of the share capital and not 15.5 per cent as previously reported.

Allied Plant Group—J. Stansby, director, has disposed of 25,000 ordinary.

DRG ACQUIRES BLACKHALL GROUP

Agreement has been reached for the acquisition by the **Dickinson Robinson Group** of **Blackhall and Partners of Derby** and its subsidiaries.

This is a further step in DRG's policy of increased involvement in the office products market and complements the recent acquisition of the Barratt Group.

The Blackhall companies market office equipment, lithographic printing supplies and copying machines.

CIL-GOULD EXPANDS

CIL-Gould, the Manchester-based manufacturer of organic pigments, is to take over the UK distribution of all products from the Cyprus Industrial Minerals Corp. These include the Mistron range of magnesium silicates and the recently introduced Cyprufil and Cyprusperse magnesium aluminium silicates.

Cyprus products are distributed at present by Compounding Ingredients, the parent company of CIL-Gould and the changeover takes effect on July 1.

WATSON & PHILIP HORSBURGH

Watson and Philip, manufacturer and importer of foodstuffs, wholesale grocer and cash and carry depots, has acquired the trading assets and trading name (Four Seasons Foods) of **Cranston Horsburgh** for about £310,000 cash, which represents fixed assets and stocks.

Pre-tax profits of Cranston, a wholesale catering business of Keswick which supplies hotels and restaurants in the Lake District, for the year to October 31, 1979, were £28,000.

ELECTRICAL PRESS PURCHASE

Electrical Press (a member of B.E.T. group) has purchased the issued share capital of **E. Cowing and Son**, newspaper proprietors of the Barnet Press group of weekly papers. Since 1968 the majority of those shares had been held in a Trust.

Tollgate and Murray end merger talks

TOLLGATE HOLDINGS, South Africa's largest quoted transport group, and **Murray and Roberts Holdings**, the civil construction and manufacturing concern based in South Africa, have terminated merger talks, announced in mid-June.

If the deal had gone through, Murray and Roberts would have acquired Tollgate.

In addition to passenger transport interest, Tollgate Holdings operates four leasing and finance companies, three insurance companies (one life and two short-term insurers), one of which Fenton Insurance, is London-based.

CAKEBREAD ROBEY SELLS SUBSIDIARY

Cakebread Robey & Co., builders and timber merchant, has agreed terms in principle for the sale of its Portsmouth builders' merchants subsidiary, Cakebread Robey Winter, to a major trading company. The purchase price, £375,000, is subject to reduction depending on the trading results for the seven months to July 31, 1980. Completion is scheduled to take place on that date.

SHELL COMPOSITES LINKS WITH COLAS

Shell Composites has merged its production and marketing activities with those of **Colas (UK)**, to form Colas Products.

Colas Products is a subsidiary of Shell UK, and brings together under one direction a great variety of established products based on bitumen and other petrochemicals. Together with the road contracting companies it forms a major group with a £40m turnover.

Products cover the maintenance of roads and buildings, systems for new buildings and structures, and products for home improvement and the automotive industry.

S. PEARSON

The Dickinson Trust has disposed of 150,830 shares in **S. Pearson and Son**, reducing its holding to 6,700,918 shares.

The Cowdray Trust has acquired 17,190 shares and disposed of 106,816, making its holding 4.65m shares. The Trusts have jointly disposed of 73,000 shares reducing joint holding to 1.43m shares.

ASSOCIATES DEAL

Rothschild Asset Management, a subsidiary of N. M. Rothschild and Sons, has sold 25,000 **Unicorn Industries** at 122p.

Metal Box set to regain former market position

THE FIRST priority of **Metal Box** in the current year is to maintain and strengthen the mainstream business of metal packaging in the UK which amounts to 41 per cent of total sales, Mr. Denis Allport, chairman, says in his annual review.

A prime task also is to regain the position held before the steel strike, and to consolidate and to make the most of existing resources in order to be well placed for further steps forward, the chairman adds.

However, progress in the current year will not be easy mainly due to impending recession in the UK and in many overseas countries in which the group operates. Furthermore in both the U.S. and the UK, interest rates are high and investment and expansion are expensive.

Over the years, the group has broadened the base of the business internationally so that it now represents 40 per cent of sales and (including attributable associates) 55 per cent of profits.

The chairman also refers to the substantial contribution of the Stelrad division. At a time when profits from metal packaging were cut back, it is encouraging to see an improved performance and better profits from the paper and plastics division, Mr. Allport says.

For the year ended March 31, 1980, group pre-tax profits improved from £58.23m to £59.84m on turnover of £1.12bn against £922m. CCA profits are reduced by £41.7m after adjustments for depreciation, £21m cost of sales, £30.0m, monetary working capital, £0.5m and gearing £9.1m.

The loss of profit as a consequence of the steel strike was £13m before tax and has caused the board to reconsider several projects both at home and overseas.

Such a strike will have consequences long after normal work has been resumed and it has once against brought into question the policy of concentrating purchases of steel for home operations almost exclusively from British Steel Corporation.

It has in addition, increased the necessity for making future can lines versatile to the extent that they can use either tinplate or aluminium as a raw material and this versatility has been designed into two new lines at Carlisle for which capital expenditure has recently been authorised.

Group capital expenditure outstanding at March 31 this year shows £52.6m (£38.6m) committed and £19.5m (£29m) authorised.

Buoyant year for Western Provident

A buoyant year in 1979 is reported by Mr. Alan Wright, chairman of **Western Provident Association**, a leading medical insurance company, with membership rising by over one-third during the year.

The Association's subscription income on its private treatment scheme rose by over 50 per cent from £2.56m to £3.87m, while investment income nearly doubled from £137,000 to £231,000. Claim payments rose by 55 per cent from £1.97m to £3.06m accounting for 79 per cent of premiums.

After higher expenses, taxation and charitable donations, the company had a surplus of £84,000 against £72,000.

On its Health Service scheme, premium income rose by 23 per cent from £471,000 to £579,000, while investment income advanced by 42 per cent from £52,000 to £74,000. Claims were 24 per cent higher at £415,000—72 per cent of premium income. The surplus was £98,000 against £69,000.

The Association's solvency surplus stood at £2.21m at the end of 1979—more than twice the legal minimum of £905,000.

Mr. Wright points out that the Association paid £44,000 into its Medical Charities Fund last year, compared with £37,000 previously. The company had made donations from this fund to many private hospitals throughout the country for the provision of additional beds and other facilities.

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UK Property moves ahead after a half-year setback

DESPITE A £127,000 setback at the half-year stage to £323,000, taxable profits of United Kingdom Property Company for the 12 months to March 31, 1980, were up slightly from £1.13m to £1.28m.

Turnover of the property investment, development and engineering concern showed a rise of £2.04m at £15.59m.

A property valuation has thrown up a surplus of £3.5m. The tax charge came out at £240,000 (£262,000).

There was an extraordinary debit of £380,000 (£208,000) relating to the claim against the company over Victory House in Manchester. The High Court originally found against the company but an appeal has been lodged.

Dividend is 0.525p, against 0.42p. Earnings per 25p share are given as 2.35p (2p).

The company has continued to benefit from an interest-free loan from its ultimate controlling shareholder, Isis Holdings S.A. (incorporated in Panama), but the board points out that while the benefits cannot be understate it augars well for the future that profits have hardly been affected despite a reduction in this loan over the past four years.

The profit potential of the company's assets is expected to more than compensate for any lasting benefit when the terms for the balace of the loan are finalised.

Property revenue over the year increased to £2.55m (£1.95m) and the board feels that the siting and nature of the properties is such that this division should enjoy relative immunity from the problems facing industry — inflation, interest charges and energy costs.

Despite the engineers' strike, hte engineering division showed a slight improvement in profits to £1.47m (£1.42m).

The current year is expected to be profitable for this section but the directors warn that the effects of national economic policy in the UK will be felt.

Stone-Platt sees second half return to profit

Stone-Platt Industries, the engineering group which swung sharply into the red last year, will show a loss for the first half of 1980. The chairman, Sir Geoffrey Hawkings, told the annual meeting that the second half should show a return to profitability, though he added it was too early to say whether the full year would show a profit.

The main problems are still in the Platt and Scragg textile machinery divisions in the UK, with Platt the main contributor to first half losses. Sir Geoffrey said that the trading performance was improving in other areas and that the group was meeting projections made when new agreements were reached with the company's banks earlier this year.

These agreements, necessitated by a technical default on borrowings, forced the company to postpone both the posting of its 1979 accounts and the annual meeting. Sir Geoffrey repeated that the group is holding active discussions concerning the disposal of assets, to help achieve a substantial reduction in gearing, but declined to be specific about what sales were envisaged.

Sir Geoffrey said the electrical, marine and pump divisions were all expected to contribute higher profits in both halves of this year, while the overseas textile machinery operations continued to do well.

At other annual meetings chairmen reported as follows:

Burrell and Co. — The Board expected to reduce previous losses substantially in the first quarter, to break even in the second and improve progressively from thereon.

The first quarter had gone exactly according to plan. During the second quarter, however, UK trading conditions had deteriorated suddenly and rapidly.

During the first quarter the company sold nearly the same volume of goods as last year. In the second quarter it could well be down by more than 20 per cent.

The element of the present depressed sales situation which is due to destocking, by company's customers would presumably cease before very long, which may therefore ease the situation to some extent.

The other two elements — the general level of economic activity and the strength of sterling — "one must assume will continue for some good while yet" with the obvious implications for the company's sales volume and profits.

The Board had plans in an advanced state in order to contain this situation.

H. and J. Hill Group — The previously reported improvement in the order book of the drop forging division continued. The steel strike had an extremely adverse effect on this division and customers' requirements were drastically reduced. The division had only recently resumed five-day working.

The mining division traded at a profit throughout the whole of the five months, but production of a major line was severely curtailed due to a shortage of steel.

The disposal of the assets of the foundry division was practically complete and the Board expected the sale of the property to be completed later this week which would, of course, improve the liquidity of the group and reduce interest charges.

Jackson Group—Mr. F. Jackson said he expected the group to have another successful year in 1980. Despite cuts in public expenditure he forecast a record turnover of over £8m for the first half year.

Lower level of trading forecast by E. Austin

TRADING FOR the current don, will be at a lower level than that for the year to March 31, 1980, Mr. C. P. Drinkwater, the chairman, tells shareholders. Turnover then totalled £6.31m against £5.28m and pre-tax profits increased from £442,000 to £511,000.

In the current year the company is experiencing a reduced demand for its services, brought about by the reduction in industrial activity throughout the world and the strength of the pound adversely affecting export sales. In addition higher wages will add heavily to costs during the 12 months.

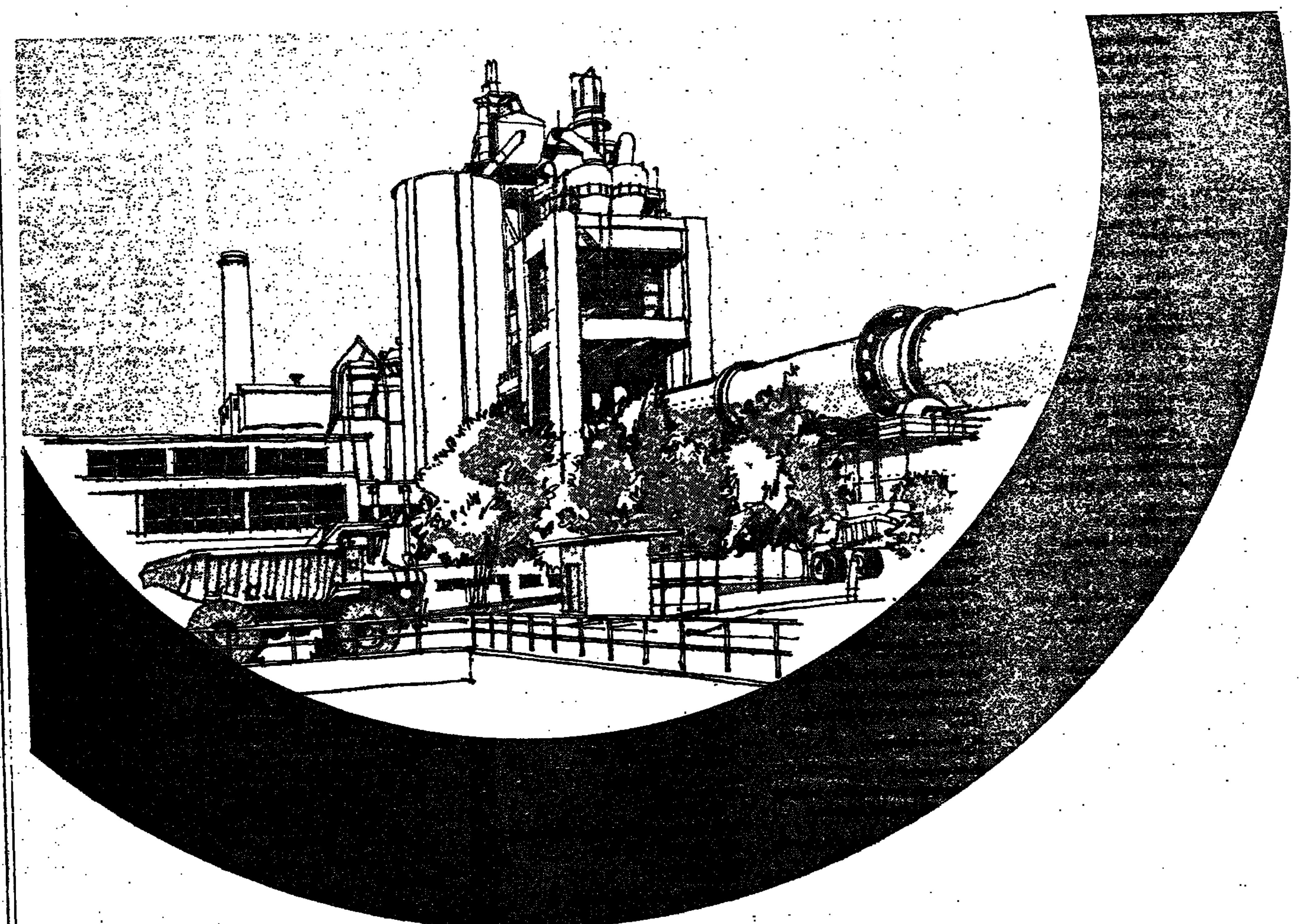
Turning to divisional trading, Mr. Drinkwater reports that there has been a considerable increase in warehouse activity. However, demand for fork-lift trucks, both for outright purchase and contract hire, is falling and unless UK trading conditions show a marked improvement targets in this area will not be met.

The cleaning materials division had a better than anticipated 1979-80 and it has improved its position in the home market.

A good year was also enjoyed by the oil division which more than doubled its profit contribution. A major investment has been made in renewing the majority of the tanker fleet and, as a result, maintenance costs have been substantially reduced.

Mr. Drinkwater warns that this year looks like being a more difficult one for all the group's oil division activities, but says they are in a strong position to meet demand from existing customers and to look for new ones.

On a CCA basis pre-tax profits for the year are shown at £127,000 (£198,000).



OIL and GAS NEWS

Increased flows at Strata's Woodada gas discovery

BY STEPHEN THOMPSON

ANOTHER encouraging set of production tests on the Woodada No. 1 gas discovery in the Perth Basin of Western Australia sent shares of Strata Oil, the latest "high flyer" of the Australian oil and gas market, racing ahead on Australian and London stock markets yesterday.

The shares, which were floated last November and were changing hands around 10p a month ago, soared to 106p before settling at 100p a day's rise of 16p.

The latest tests, which were made after the well had been stimulated with a 15 per cent hydrochloric acid solution, achieved a maximum flow rate of 32.38m cubic ft of gas per day through a one inch choke at a flow pressure of 1,815 psi.

Woodada No. 1 was spudded during May. Strata subsequently announced on May 28 that an encouraging gas discovery had been made. The calculated flow rate at the time of the initial announcement was 6.9m cubic ft a day.

On June 25 Strata revealed that further tests produced a flow rate of 12.5m cubic ft of gas per day in addition to condensate at a rate of 24 barrels a day. Strata has a 26.95 per cent interest in the well and Hughes and Hughes of Texas 65 per cent.

A second well, Woodada No. 2, was spudded last week to enable further assessment of the production potential of the discovery. No further tests will be carried out on Woodada No. 1 until Woodada No. 2 is completed.

If the find is proved commercially exploitable — and already many industry observers regard it as a major gas discovery—an additional bonus is that it is located only five miles from the existing Dongara-Perth pipeline.

Shareholders of Haoma Gold and North West Mining will also be delighted with the latest news as both companies have substantial holdings in Strata. Haoma, with 16.8 per cent of Strata, advanced 20p to a peak 134p yesterday and North West Mining, with 25 per cent, 17p to 120p, after a record 122p.

Mobil Oil Canada has announced three initial production tests at its Hibernia 0-35 well nearly 20 miles north-east of St. John's, Newfoundland. Two of the tests showed disappointing results, while the third was "encouraging" according to oil industry analysts, reports Robert Gibbens from Montreal.

* * *

Mobil said the first test had only marginal potential. It recovered small amounts of oil from the interval 8,327 to 8,363 feet.

The second test flowed oil to the surface at calculated daily rates of 616 barrels of 25.6 degrees API gravity with gas at 620,000 cubic feet daily. The test was run between 8,095 and 8,123 feet.

The third test also flowed oil to the surface, this time at calculated daily rates of 1,694 barrels of 24 degrees API gravity with gas at 840,000 cubic feet daily. The test was run between 7,976 and 8,005 feet.

Further testing will be done over the next few weeks. The well was drilled to 15,710 feet. The partners are Mobil Canada, Gulf Canada, Chevron Standard, Petro-Canada and Columbia Gas Development Canada.

Meanwhile Mobil has stopped drilling the Ben Nevis well 190 miles north-east of St. John's, after reaching 16,183 feet, about 2,000 feet short of its objective, because of high pressure problems.

The well is located 30 miles from the Hibernia discovery well and has already given hydrocarbon shows.

Mobil said the well will be logged and tested further. Tougher blow-out prevention equipment is to be installed at all east coast wells in the next six months because of recurrent sub-sea high pressure problems.

Esso Resources Canada, a unit of Imperial Oil, has recovered oil and gas from the Issungnak O-61 well drilled from an artificial island 27 km north of Pullen Island in the Beaufort Sea.

The well was drilled on a separate structure eight km north of Isserk E-27, a well completed in 1978.

A closed chamber drill stem test of the interval 3,000 to 3,005m produced 35 degrees API oil at a calculated rate of 2,400 barrels a day with no formation water.

Imperial Oil said no definitive calculation of maximum producing capacity of the formation has been made at present.

* * *

Campbell Red Lakes Mines and Sigma Mines of Quebec have agreed in principle to participate in a consortium engaged in oil and gas exploration and production in Western Canada.

The consortium includes Dome Petroleum, the operator with a 70 per cent interest, Dow Chemical of Canada, 12.5 per cent and Transcanada Pipelines, 12.5 per cent.

Under the terms of the deal, which is expected to be closed in the next few days, Campbell and Sigma would earn four per cent and one per cent interests respectively in the group through payments of about C$44m and C$8m respectively. They also expect to incur exploration expenditures of C$78m and C$19m respectively in the first year following signing.

The consortium has reserves of 224m barrels of oil, natural gas liquids and natural gas equivalent of oil. It also holds 15m net acres of working interest and 1.75m royalty acres of exploratory oil and gas rights, mostly in the western sedimentary basin of Canada.

Campbell and Sigma say the acquisition and participation in the group should make a positive contribution to their respective earnings.

Pegler expects tough going

The board of Pegler-Hattersley, engineering components maker, anticipate continuing difficult trading conditions while the present combination of high interest rates, high inflation and high exchange rates persist, Sir Peter Matthews, the chairman, says in his annual report.

In the 12 months to March 29, 1980, taxable profits were down £1.78m at £12.43m. Shareholders' funds come to £79.67m (£73.68m). Bank balances are shown as £1.69m £3.21m), with bank loans and overdrafts up from £3.97m to £4.73m. Meeting, Doncaster Racecourse, July 22, noon.

KELLOCK HLDGS.

The final figures for elections received in connection with the Kellock Holdings scheme of arrangement are: 788,666 ordinary shares in KH (84.7 per cent), 884,339 convertible irredeemable subordinated variable rate unsecured loan stock units (84.7 per cent) and 296,403 11 per cent cumulative preference shares (78 per cent).

The scheme is expected to become effective on or around July 25 subject to the sanction of the Court and the new shares in Kellock Trust being admitted to the official list by the Council of the Stock Exchange.

SPAIN

June 27	Price %	+ or −
Banco Bilbao	216	
Banco Central	242	
Banco Exterior	208	
Banco Hispano	218	
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	272	
Banco Urquijo	150	
Banco Vizcaya	226	
Banco Zaragoza	202	
Dragados	76	
Espanola Zinc	58	
Fecsa	65.2	
Gal. Preciados	25	
Hidrola	70	
Iberduero	68	
Petroleos	106.5	
Petroliber	92	

Gold is leading Anglo to a new profit peak

BY KENNETH MARSTON, MINING EDITOR

GOLD STILL dominates the fortunes of the mighty Anglo American Corporation of South Africa, a group of companies with a market capitalisation of some R11bn (£6bn). They cover virtually every aspect of mining together with major industrial and financial activities, the bulk of which are in South Africa.

Last year the average price of bullion climbed to $307 per troy ounce from only $193 in 1978 and prices gained further ground in the early months of this year, reaching a record $850 on January 21. This was followed by a reaction which took the price down under $500 in March-April, but the subsequent recovery has taken it up again into the mid-$600s.

Anglo's annual report for the year to March 31, thus has no qualms in predicting that "the average price of gold in 1980 will be significantly higher than that in 1979, and that this differential will more than offset the expected increase in mine production costs."

Consequently, the group is stepping up the tempo of its gold exploration and is currently completing feasibility studies for a Brazilian gold mine at Jacobina in Bahia with an initial milling capacity of 20,000 tonnes of ore a month. A go-ahead decision is expected to be made in the second-half of this year.

In the year to February 29 last, earnings of the group's gold mining investment company, Anglo American Gold Investment (Amgold) advanced 83 per cent to R127.9m while Anglo's investment income from gold in the year to March 31 expanded to 52 per cent of the total from 37 per cent in 1978-79.

Second place in Anglo's investment income league was again taken by diamonds. But because of the expansion in gold income that from diamonds declined to 19 per cent from 28 per cent in the previous 12 months despite an increase in the diamond revenue. Industrial interests came third with 13 per cent of the total against 17 per cent in the previous period.

The book value of Anglo's listed investments in the past 12 months rose to R1bn from R747m, largely as a result of Anglo's purchase of just under 12½ per cent of Consolidated Gold Fields and the reorganisation of investments involving Charter Consolidated.

The rise in the prices of gold shares, however, was a major factor in the expansion in the overall market value of Anglo's investment portfolio to R5.42bn from R3.38bn. The net asset value per Anglo share moved up to 2,184 cents (£12) from 1,357 cents in a year when net profits rose 52 per cent to a record R306.6m.

The outlook for diamonds this year is distinctly less bright, especially with the effects of recession in the U.S. which accounts for about half the gem trade. The market in the larger stones of one carat and above is now less buoyant than before while the smaller goods remain in over-supply and are moving only slowly. Even so, Anglo's investment income from diamonds should be at least maintained.

As far as the South African industrial side is concerned, the picture is still cheerful. Anglo says that of the country's economy: "There can be little doubt that the 1980 budget will lead to a marked acceleration in domestic demand and judicious use of existing abundant financial resources should enable this growth to be sustained for some time despite deteriorating world economic circumstances."

While there are bound to be some grey areas in Anglo's outlook, the overall impression is clearly that the group is heading for a further increase in earnings this year. However, at a dividend yield of under 7 per cent the shares are fairly priced in view of the group's exposure to possible further domestic unrest in South Africa.

AMCOAL EXPANDS NEW DENMARK

South Africa's Anglo American Coal Corporation (Amcoal) is to double the planned capacity of its New Denmark colliery to 10m tonnes per year.

The expansion follows the decision of the South African Electricity Supply Commission to double the operating capacity of its Tutuka power station, which is to be supplied by New Denmark, to 3,600 megawatts.

The development of New Denmark and of the group's New Vaal colliery is expected to cost around R322m (£179m), of which Amcoal will fund about 60 per cent.

Amcoal said yesterday that it expects production to start in 1984, in time to meet the commissioning of six planned generating sets at Tutuka during the first half of 1985. Full production should be achieved by 1990.

Simmer and Jack mine may come back to life

A SIZEABLE new gold mine may arise from the long-abandoned workings of the old Simmer and Jack property on South Africa's central Rand which started production in 1888 and closed as a result of economic pressures in 1964.

Agreement has been reached between Simmer and the Anglo American Corporation group whereby the latter will carry out an exploration programme and make feasibility studies at the Simmer property and its adjoining Simmer Extensions which was previously the old Rose Deep gold mine.

The work will examine the prospects of exploiting not only the surface waste dumps but also the underlying gold-bearing reefs. The prospecting programme will cover the Kimberley reefs and surface material and will include a feasibility study for the erection of a plant to treat 150,000 tonnes of combined material per month.

If it is decided to go ahead with the exploitation of this material, Anglo will look into the prospects of mining the deeper main reef leader and other reefs underlying the lease areas of both Simmer and Simmer Extensions.

If a new mine is established, Anglo will finance the capital costs while Simmer will receive income in the form of a royalty. A further announcement is to be made after August 31 by which time Anglo will give its decision on whether to go ahead with the new venture.

In 1975 Mr. Abe Cohen, as head of the syndicate which controlled Simmer, reckoned that at least 8m tonnes of payable ore remained in the Simmer property and that there were some 10.5m tonnes in Simmer Extensions. His assumption was based on the gold price then of about $170 per ounce.

He pointed out that an increase in the price and the lack of major water problems could result in a good deal more ore becoming classified as payable.

When Simmer closed it was milling ore with a gold grade of about 9 grammes, which is very acceptable by today's standards; the new Beatrix mine, for example, will have a grade of only about 6 grammes, but will be less deep and thus less costly to mine than the Simmer property. Simmer and Jack rose 15p to 175p yesterday.

Australian coal plans approved

THE AUSTRALIAN Government has approved two new coal mining joint ventures involving a total capital investment of almost A$700m (£345m) reports James Forth in Sydney.

The ventures, a coking coal project at Hail Creek in Queensland and a steaming coal project at Birds Rock in New South Wales, were reviewed by the Government to determine whether it found the levels of foreign participation in them acceptable.

The latest two approvals follow closely on that given for the A$100m steaming and coking coal project at Mount Arthur South in New South Wales. These three developments will produce a total of some 12m tonnes of coal per year, Mr. John Howard, Federal Treasurer, said yesterday.

The foreign stake in Hail Creek, which will have an initial output of 4.5m tonnes per year, will be 43.2 per cent, while Birds Rock will be 49 per cent owned by overseas interests. Foreign participation in Mount Arthur South is just 15 per cent.

Hail Creek is owned by AAR (a subsidiary of CSR) with 44 per cent, Esso Exploration and Production Australia 25 per cent, IOL Petroleum (which is owned by Conzinc Riotinto of Australia) 25 per cent, Marubeni Coal 4 per cent and Sushiyo Coal Development 2 per cent.

The Electricity Commission of New South Wales owns 51 per cent of Birds Rock, with the balance being divided between Taiheiyo Coal Development 34 per cent, Mitsui Coal Development (Australia) 7.5 per cent and C. Itoh and Company 7.5 per cent. Birds Rock will produce some 5m tonnes of coal per year.

ROUND-UP

The Western Australian oil and minerals exploring company, Cultus Pacific, proposes to raise A$3.2m (£1.57m) by a renounceable rights issue. One 25 cents share at 50 cents (24.6p), plus a free transferable option running to September 1983, is offered to holders of every five existing shares. Present option holders may participate in the issue which is being underwritten by Bain and Co of Sydney. Acceptances must be received by September 11.

* * *

America's Coastal Corporation has received Federal and State approval for the development of its Skyline coal mining project in central Utah, a joint venture with Getty Mineral Resources. The project is expected to cost $120m (£51m) and produce 5m tons of coal a year at its peak which is expected to be reached in the early 1990s. Production is expected to start in 1982.

* * *

Rio Tinto (Zimbabwe) has purchased the issued capital of Rutala Mines for Z$140,000 (£95,000) in order to secure the mining rights to chrome claims on the Great Dyke near Gatooma where RTZ has its major mining complex. This completes the acquisitions of chrome mining properties in preparation for the group's long-term plan to move back into ferro-chrome smelting on an expanded scale.

S. African black miners to get new pay rises

BLACK WORKERS in South Africa's gold and coal mines take another step towards wage parity with their counterparts in the rest of the country's industry today.

The Chamber of Mines of South Africa, which negotiates all labour matters including minimum wage rates for the country's major mining concerns, yesterday announced rises of between 15 and 28 per cent in minimum starting rates.

The increases, which will apply to some workers in South Africa's platinum mines as well as to gold and coal miners, should bring wages of black workers in those branches of the mining industry more or less into line with those of their opposite numbers in other industries, the Chamber said yesterday.

Actual rates will be set by the individual mining groups according to job categories, skills and experience, but the minimum starting rate for underground novices will rise from R86.89 per month to R100 (£56). The minimum starting rate for novice surface workers will rise from R58.50 to R75 per month. Both categories of worker receive free board and lodging.

Black workers in South Africa's mines have long been regarded as poorly paid in comparison with blacks in the rest of the country's industry. Anglo American Corporation said recently that despite pay rises of almost 17 per cent last year, wages for black employees remained "substantially lower than those for similar jobs in secondary industry and commerce."

Fujitsu opposition blocks Amdahl's plan for merger

BY STEWART FLEMING IN NEW YORK

THE OPPOSITION of the Fujitsu, the Japanese electrical equipment company, has blocked the proposed merger between computer equipment manufacturers Amdahl and Storage Technology, a deal which promised to create an organisation with annual sales of $1bn.

It is the second time in recent months that efforts by the companies to complete mergers aimed at strengthening their positions in the computer industry have failed. Both had previously been in merger discussions with Memorex.

Amdahl, which makes mainframe computers compatible with International Business Machines' software, has seen its earnings erode under competitive pressure from IBM and this was a major reason for its decision to seek a partner.

But around 26 per cent of Amdahl's equity is owned by Fujitsu, which has rights to acquire another 8 per cent. In examining the proposed merger with Storage Technology, Fujitsu apparently feared that the merged companies might cut into its U.S. semiconductor markets and sought to protect itself against such an eventuality by changes in its agreement with Amdahl.

Mr. Jesse Aweida, chairman of Storage Technology, said that he "believes that these changes would not be in the best interests of the buying company and its stockholders and therefore is not willing to accept them."

Amdahl saw its net income collapse from $13.5m to $449,000 in the first quarter of this year while Storage Technology reported record earnings for the period of $9m on sales of $124m. Profits were up by 20 per cent and sales by 30 per cent.

Growth in earnings and sales slows down at Hammermill

BY OUR FINANCIAL STAFF

BOTH EARNINGS and sales continued to forge ahead in the second quarter at Hammermill Paper, manufacturer of fine and printing papers, although there was no repetition of the upsurge of the first quarter.

At the six-month stage, earnings were 46 per cent higher at $22m, or $2.79 a share, adding bite to the recent forecasts from Wall Street analysts that earnings for the full year may compare "favourably" with last year's $4.47 a share. Sales for the first half were 14 per cent higher at $550.5m.

The company, however, warned yesterday that it did not expect the record levels of sales and earnings of the first half to continue. It commented that the recession was being felt in varying degrees in all sectors of its business.

The first quarter brought a 20 per cent gain in sales with net income up 92 per cent. However, growth slowed in the second quarter, when sales rose 9 per cent and earnings were up 15 per cent.

The Hammermill Board is having a running battle with a major shareholder, Mr. Carl Icahn, whose private investment group holds just over 10 per cent of the Hammermill equity. Mr. Icahn seeks the sale of Hammermill by way of a merger, since he claims that the company urgently needs a capital injection to improve and expand its mills. In April, the Hammermill Board tried to ward off Mr. Icahn by reducing the size of the Board from 12 to eight, a move admitted to be aimed at making it more difficult for him to achieve his purpose.

Benefits from cost efficiencies are expected this year, but continued softness in the markets for forest products may restrict profitability.

Marriott hotel group shows modest rise

By Our New York Staff

MARRIOTT, the large U.S. hotel and catering chain, managed a slight increase in earnings in its second quarter, despite the widely predicted decline in travel and the slump in the airline industry.

Earnings were $17.2m, up from $17m. Per share earnings increased much faster than this, from 45 cents to 66 cents because Marriott recently retired 23 per cent of its common stock. Revenue was $389.2m, up from $353.3m.

For the six months to June 13 Marriott's net profits came out at $29.86m, slightly higher than the $28.79m recorded in 1979. Per share earnings showed a gain from 76 cents to $1.03, while revenues were $739.7m compared with $655.9m.

Suntory in $100m offer for soft drinks concern

BY DAVID LASCELLES IN NEW YORK

SUNTORY, the large Japanese drinks concern, plans to take a major step forward into the U.S. market by acquiring PepCom, an east coast soft drinks company for about $100m.

Suntory will offer $38 for each of PepCom's 2.6m shares. These closed on Friday at $33½ and were quoted yesterday at $35¾. Suntory claimed that it already has agreement from holders of 48 per cent of PepCom's stock for the deal. This holding is believed to include that of PepCom's founding family who face large death duties.

PepCom, based on Long Island outside New York, is a bottler and distributor of Pepsico beverages, whose main brands are Pepsi Cola, Teem and Mountain Dew. Its earnings for the latest quarter ending March 31 were $977,000, up from $747,000 in the same period of 1979. Revenue was $14.3m, up from $12.3m.

Suntory's existing interests in the U.S. include a small wood products company in Baltimore and a share in a Californian winery called Firestone. It also has offices in Los Angeles, Chicago and Honolulu in addition to New York.

If the PepCom deal goes through, it will mark Suntory's entry into the $15bn a year U.S. soft drinks production and distribution market, an intensely competitive business at the best of times.

Suntory, based in Japan, had sales of $2.8bn worldwide last year.

New terms for trimmed Nova Scotia bond

By Francis Ghilès

THE $75m 10-year bond for the Province of Nova Scotia was trimed to $50m yesterday by the lead manager, McLeod Young Weir International, which also altered the terms. The initial coupon of 10½ per cent was boosted to 10¾ per cent while the offering price was cut from the indicated 100 to 99¼.

This gives investors a yield of 10.78 per cent and, together with the smaller size of the issue, should help ensure a better performance on the secondary market. Allotments will be made today. Before the changes were announced, the bond was quoted in pre-market trading at a discount of 5¾ per cent in the middle.

Elsewhere in the market, the weakness in the U.S. bond market and the sharp rise in interest rates which followed last Friday's announcement of a $3.5bn rise in the U.S. money supply took their toll, pushing prices of fixed interest rate Eurobonds down by ½-1 point.

As interest rates rose—the six-month rate, to give one example, gained 3/16 to 10 per cent—prices declined, but recent issues were hit far worse than seasoned ones. The $150m 9¾ per cent issue for Export Development Corporation, which was quoted by the lead manager, CSFB, last Friday, at 97½-¾, moved down to 96¾-7¼. Elsewhere in the market it was trading at 95¾-6¼.

Some other issues still on offer were quoted at even deeper discounts, the 10¼ bond to 1987 for the City of Montreal, for instance, fell to 93½-94.

Dealers agreed that banks as well as institutional investors were selling paper but a little buying was reported at lower levels.

This shake-out, which had been expected by many in the market since mid-June, is expected to continue for at least another day or two.

In the Deutsche Mark sector, prices in the secondary foreign bond market were a shade easier yesterday in very thin trading. On the new issue front, New Zealand is raising DM 200m in the form of an eight-year bullet issue through Commerzbank. The borrower is paying a coupon of 7¾ per cent. This is the lowest coupon offered by a prime name in this sector since mid-January and confirms a steady flow of foreign interest in D-Mark paper.

In the guilder sector, Bank Mees and Hope NV is offering Fl 75m worth of notes for 10 years with a coupon of 10 per cent and a price of par.

Problems at Massey-Ferguson, the world's leading tractor maker

An urgent need for equity

BY CAREY FRENCH IN TORONTO

Mr. Victor Rice: undismayed by the company's debt burden

MASSEY - FERGUSON IS encountering hard times in the North American market, but has not been as hard hit as other farm equipment manufacturers because of the international nature of its operations, says Mr. Victor Rice, the chairman and chief executive officer.

The collapse of the North American farm equipment market is one of three factors which have adversely affected Massey-Ferguson. The others are high interest rates—combined with a shortage of equity and large debts—and the high value of the sterling which has squeezed margins on exports from the UK.

At a recent briefing in Toronto, Mr. Rice said that the operating performance of his company was equal to any of its competitors in the industry. But he explained, this was before taking account of the interest payments on Massey-Ferguson's debt.

This prompted a comparison between Massey-Ferguson and Chrysler, to which Mr. Rice retorted - "Don't mention that name in connection with Massey-Ferguson." Later he said he was becoming increasingly concerned about the connection drawn between the ailing North American car manufacturer and his company: "It's an entirely incorrect comparison. The most obvious difference is that Chrysler is a poor third in the U.S. (car market) with no significant operations anywhere else in the world."

In North America, Massey-Ferguson is the third largest farm equipment company, but this only represents 35 per cent of its business. In terms of world sales, the company is the leader in tractors, a close second in combine harvesters and a major producer of diesel engines. "There is hardly any similarity in terms of our and Chrysler's relative market positions."

Mr. Rice, who at 37 rose to president from the corporate vice-presidential ranks two years ago, is given the credit for engineering a massive turnround in management policy. In an attempt to streamline the corporation, he has presided over the sale of loss-making operations while nurturing the development of the "core" areas: tractors, harvesters and diesel engines.

The campaign has stemmed the flow of losses which produced a deficit of $257m in the 1978 fiscal year, a loss which, at the time, was the largest in Canadian corporate history.

In April and May, the bottom dropped out of the North American market for farm equipment, an occurrence which Mr. Rice attributes to a combination of low grain prices after the U.S. embargo on grain exports to the Soviet Union, bad weather and general concern about the economic recession. He conceded recently that Massey-Ferguson may not make an operating profit during the current fiscal year, which ends on October 31.

To meet the threat, the company has extended the regular summer shutdowns at its North American plants to three months from one month and is working hard to improve its share of the available sales.

On a broader scale, about C$80m will be gained this year from permanent cuts in the company's international labour force, which are already well under way. This is apart from the planned temporary lay-offs.

But unless the company can obtain desperately - needed equity capital all these efforts might prove in vain. As a result of earlier policies, the company has a bank debt of close to C$1bn (US$1.15bn). About C$600m of this is from North American lenders. Interest rates have declined significantly recently, but Massey-Ferguson's net interest cost in the current fiscal year is still estimated at about C$250m.

With no immediate prospect of a recovery in profits the only solution is a massive infusion of equity capital. Mr. Rice says US$500m is needed. Asked where this would come from, he said there were "dozens" of possibilities.

"The trouble with any equity placement of this size is that until all the pieces are in place, you can't make any announcement about any element of it," he explained. He would not comment further on this, beyond saying that some elements were already assured. He said reports in financial circles that the holding company, Argus Corporation, was not prepared to provide a share of the fresh finance equivalent to its 16 per cent interest, which would be C$80m were not correct.

Massey-Ferguson has for months been talking about a possible financing package, including the sale of shares to public investors. The reason for not proceeding are "stunningly obvious," said Mr. Rice. "Shortly after the announcement of the proposal last autumn interest rates went higher and higher. There was no logical reason for us to go to the market at a point where interest rates were very high." But, he conceded, "with the benefit of hindsight, we should have gone to the market last September."

While remaining hopeful of a mixed financing by means of both public and private sources, Mr. Rice acknowledges that if all else fails, the company might have to resort to possible Government financing of some kind. But before this happens there are other options to be examined. These might include arranging a series of joint venture participations in pieces of the company's operations around the world.

International Harvester, the large U.S. farm machinery group, is not scheduling the normal three-week shutdown at 10 plants as a means of boosting production to meet the backlog of orders stemming from a strike earlier this year

Atco bids for second Alberta power utility

By Robert Gibbens in Montreal

ATCO, the Calgary-based manufacturer of pre-fabricated structures and a major contract driller which last week finalised the C$325m (£283m) takeover of Canadian Utilities, is now making a bid for Calgary Power. The bid would cost around C$150m at a minimum.

Atco, which has major international operations and exports its pre-fabricated industrial units throughout the world, is making the bid for Calgary Power through a subsidiary. It seeks about 57 per cent of the outstanding Calgary Power A and B shares at about C$21 a share. The offer is conditional on receipt of about 57 per cent of the Calgary Power shares outstanding.

If the bid is completed Atco would merge the operation of Canadian Utilities and Calgary Power into one major electrical utility which would also have a gas distribution operation as well. At present Calgary Power is the largest utility producing electricity in Alberta. Canadian Utilities produces about 25 per cent of the power in the province and also distributes gas.

Alberta is the only province in Canada which still has privately-owned power utilities.

Argentina plans closer bank scrutiny

BUENOS AIRES — The Central Bank of Argentina will take immediate steps to tighten monitoring of local banks and will introduce a more comprehensive system to prevent bankruptcies from next January.

Sr. Alejandro Reynal, the Central Bank vice-president, was speaking three months after the passing into liquidation of one of the biggest private banks and the placing of three others under Central Bank trustees. He said the financial crisis last March and April was an inevitable shakeout resulting from liberalisation of the domestic financial market three years ago.

Under the package of moves to be announced shortly, banks would be further restricted from granting loans to companies owned by bank board members, which was one of the reasons for the recent upheavals, Sr. Reynal said.

Banks would be required to contract the services of outside auditors to control overall operations in addition to the traditional book auditing practices, Sr. Reynal said.

To reduce loan exposure banks would be encouraged to form loan syndicates and to establish a centralised system to assess credit risks.

Insurance takeover

Orange State Life Insurance Company said it has acquired Western Travelers' Life Insurance Company of San Rafael, California, from Marsh and McLennan Companies Inc. for undisclosed terms. Western has assets of about $21m, the company said, reports Reuter from Largo, Florida.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on June 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	92½	92⅞	−0⅛	−1⅛	11.35
Australian Res. 9⅝ 84	30	96¼	96⅞	−0⅛	−0⅜	10.67
Beneficial Fin. 9¾ 87	100	91⅝	92¼	−1⅛	−1⅞	11.48
Brit. Oxygen F. 10¾ 90	50	96	96½	—	—	11.39
CECA Grad. Rate 12 86	100	99⅛	99⅝	−0⅛	−0⅜	11.36
CECA 11⅝ 90	50	98	99¼	−0¼	−1	11.71
CECA 11½ 88	100	100⅝	101⅛	−0¼	−1⅛	11.31
Carter Hawley 9¾ 86	50	92⅜	93⅛	−0⅝	−1⅛	11.42
Citicorp O/S Fin. 10 86	300	95½	96	—	—	11.00
Continental Grp. 9⅝ 86	100	93⅜	93⅞	−0½	−1⅛	11.14
Denmark 11¾ 90	100	99⅝	100⅛	−0⅜	−1¼	11.76
Dome Petroleum 13½ 92	50	102⅞	103⅜	−1⅛	−2	12.95
EEC 11 95	75	96⅞	97⅜	−0⅛	−1¼	11.40
EIB 11¾ 92	80	98¾	99¼	−0⅛	−1⅜	11.89
EIB 13¾ 90	100	106¼	106¾	−0⅛	−2⅛	12.55
Eksportfinans 11⅛ 87	50	100⅛	100⅝	−0½	−1⅜	11.13
Elec. de France 10 88	125	96⅛	96⅝	—	—	10.70
Export Dv. Cpn. 9¾ 84	150	96⅞	97⅜	−0½	−1¼	10.62
Export Dv. Cpn. 12⅜ 87	100	105	105½	−0½	−1⅜	11.58
Federal Dev. Bk 12⅛ 85	75	103⅜	103⅞	−1⅛	−1⅛	11.22
Finland, Rep. of 9½ 86	100	93⅜	93⅞	−0½	−0⅝	11.04
Ford O/S Fin 12⅝ 85	250	99⅝	99⅞	−0⅞	−1⅜	12.67
George Weston 13½ 87	30	101⅞	102⅜	−0⅛	−1⅛	13.00
GMAC 9¾ 86	100	92	92½	−2⅛	−2⅛	11.09
GMAC O/S Fin. 11 84	100	99⅝	100⅛	−0⅜	−1⅛	10.99
GMAC O/S Fin. 13⅜ 85	100	105¼	105¾	−0⅞	−1⅜	11.77
Goodyear O/S 12½ 87	75	98¼	98¾	−0½	−1⅛	12.83
Hudson's Bay 11½ 90	75	98⅜	98⅞	—	—	11.74
IBM Canada 10½ 85	50	99⅞	100⅜	−0⅜	−1	10.47
ICI Fin. Ned. 11 83	100	99¾	100¼	−0⅞	−1⅛	10.88
McGraw 13½ 85	75	102⅛	102⅝	−0⅛	−1⅛	12.78
Michelin 10 94	125	89⅞	90⅜	−0⅜	−2	11.43
Nat. Des. Telecm. 9½ 86	100	94	94½	−1⅛	−2⅛	10.86
Norwest Ind. 13⅝ 87	50	100⅝	101⅛	−0⅝	−1⅜	13.39
Pemex 11½ 88	100	97½	98	—	—	11.95
Quebec, Hydro 11½ 92	100	98	98½	−0¼	−1⅛	11.78
Rowleese Ltd 11⅞ 85	50	100¼	100¾	−0⅞	−1⅝	11.11
SNCF 12⅝ 85	50	104¼	104¾	−0½	−1⅞	11.11
Statoil 9⅝ 89	100	93⅜	93⅞	−0⅜	−1⅜	10.75
Swed. Ex-Cred. 12½ 85	40	103½	104	−0⅞	−1⅞	11.42
Sweden 9¾ 84	100	97⅜	97⅞	−0¼	−0⅜	10.47
Warner-Lambert 9 84	100	94⅝	95⅛	−0½	−1½	10.64

Average price changes... on day −0⅜ on week −1⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	102⅛	102⅝	−0½	−0⅞	8.63
Asian Dev. Bank 10 90	200	108⅝	109⅛	−0⅜	−0½	8.60
Australian 8½ 90	250	101⅝	102⅛	−0⅛	−0⅛	7.81
BFCE 7¾ 87	100	99	100	0	+0⅛	7.84
BFCE 8⅛ 95	100	99⅛	100⅛	−0⅛	+0⅛	8.13
Brazil 8 87	150	93⅜	94	0	+0⅛	9.26
CECA 7 91	150	93	93⅜	−0⅛	−0⅛	7.93
Council of Eur. 7¾ 89	100	94⅜	95⅜	−0⅛	−0⅛	8.10
Denmark 7⅞ 86	100	98	98¾	−0⅜	0	8.23
Denmark 8¾ 92	100	98⅞	99⅞	−0⅜	−0⅛	8.33
EEC 7⅞ 94	225	98⅞	99⅜	0	−0⅛	8.02
EIB 7½ 89	200	96⅞	97⅜	+0⅛	−0⅛	7.94
Finland Rep. of 8 86	150	98⅞	99⅝	0	+0⅛	8.14
Kobe, City of 7¾ 89	150	96⅝	97⅜	−0⅛	+1⅛	7.58
Neder. Gasunie 8 88	100	102½	102⅞	0	+0½	7.48
Norway 7½ 85	250	99⅝	100⅛	0	+0⅝	7.48
OKB 7¾ 89	100	95⅜	96⅛	−0⅛	0	8.03
Oslo, City of 8¾ 90	80	101⅞	102⅜	−0⅛	−0½	8.41
Sweden 9¾ 87	200	106½	107	−0⅛	−0½	8.39
World Bank 7¾ 91	400	97½	98¼	−0⅛	+0½	8.05
World Bank 7⅞ 90	250	98½	99	−0⅛	+0½	8.08
World Bank 10 86	150	107⅜	108⅛	+0⅛	−0½	8.26
World Bank 10 90	200	111⅜	111⅞	0	+0⅝	8.22

Average price changes... on day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	95⅞	96⅜	+1⅞	+2⅛	6.07
Aumar 5 89	80	91⅞	92⅜	+0⅜	−0⅛	6.16
Bergen, City of 4¾ 91	40	98	98½	+1	+1	5.20
Bergen, City of 6 90	50	†102¾	103¾	0	+0⅛	5.60
BNDE 5 89	75	†92½	93	+5⅛	+4½	6.06
BMW Overseas 4¾ 91	100	92⅞	93⅜	+0⅜	+1⅜	5.06
Buhrm'n-Tetterode 7 90	40	105½	106	+0⅛	+0⅛	6.20
Caisse Nat. Tele. 4¾ 89	100	95	95½	−0½	−0½	5.03
CCCE 5¾ 90	100	102¾	103¼	−0⅛	0	5.34
Copenhagen 4½ 91	60	†91	91½	0	−0⅛	5.56
Council of Eur. 5 89	100	95	95¾	−0½	−0⅛	5.64
EIB 4½ 91	100	93	93½	+0⅞	+0½	5.33
EIB 4¾ 94	100	87½	88	+0⅛	−0⅛	5.65
Elet. de France 4¾ 89	100	94⅞	95⅜	+0⅞	+0⅛	5.06
GZB 4¾ 89	100	92	92½	0	+0⅛	5.32
Hilti 4½ 91	35	†94	94½	−0⅛	+0⅛	4.92
Int.-Amer. Dev. 4½ 89	100	†92	92½	0	−0½	5.61
Int.-Amer. Dev. 7 90	80	106⅜	106⅞	0	+0½	6.10
Jutland Tele. 5½ 90	50	100⅛	100⅞	0	+0⅛	5.39
Malaysia 5 88	80	90⅛	90⅝	+0⅛	−0½	6.40
Nippon Tel. & T. 4¾ 89	100	95⅜	95⅜	−0⅛	−0⅞	4.88
Nordic Bank 5 89	45	95⅞	96⅜	+0½	−0⅛	5.55
Norges Komm. 4¾ 91	100	93	93½	+0⅛	+0⅛	5.18
OKB 4¾ 91	100	90½	91	+0⅛	−0⅛	5.49
OKB 6 90	100	103⅞	104⅜	+0⅞	−0⅞	5.44
Oslo, City of 4¾ 91	100	†90	90½	0	−0⅛	5.56
Shikoku El. Pwr. 4¾ 88	100	95½	96	0	+1	5.35
Voest-Alpine 4¾ 89	90	96⅛	96⅝	+0⅛	−0⅛	5.27
World Bank 4⅝ 89	100	†95½	96	0	+1	5.22
World Bank 4⅝ 89	150	92	92½	−0¼	−0⅛	5.48
World Bank 4⅝ 91	100	93¼	93¾	+0⅛	+0½	5.40

Average price changes... on day +0⅜ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92⅞	93⅜	0	+0½	8.22
Australia 6⅞ 88	20	89⅜	90⅜	+0⅛	+0⅛	8.38
EIB 7⅜ 89	12	96	97	+0½	+0⅝	8.30
Finland 5.6 83	10	91	92	−0⅛	−0⅛	8.65
Finland 6.8 88	10	89½	90½	−0⅛	−0⅛	8.66
Finland, Rep. of 8⅞ 87	15	97¾	98½	—	—	8.74

Average price changes... on day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	96½	97	0	+0⅛	11.48
CIBC 13½ 85 C$	50	104⅛	104⅝	−0⅞	−0⅞	12.23
Cr. Foncier 10¾ 84 C$	30	92½	93	+0⅛	+0⅛	12.67
Fst. Can. Inv. 10 84 C$	50	94⅜	94⅞	−0⅛	−0⅛	11.79
GMAC 12 85 C$	50	†99	99½	0	−0½	12.20
Quebec 10¾ 86 C$	50	92⅞	94⅛	−0⅛	−0⅞	11.94
R. Bk. Canada 10 86 C$	40	94⅞	94⅝	0	0	11.35
R. Bk. Canada 10 94 C$	40	88	88½	0	0	11.75
Tordom Cpn. 13½ 85 C$	30	104½	104⅞	−0⅛	−0½	12.23
M. Bk. Dnmk 9 91 EUA	25	94½	95¼	−0⅛	−0⅛	9.71
SOFTE 8½ 89 EUA	40	86¾	88	0	−0⅞	10.51
U. Bk.Nrwy. 9½ 90 EUA	18	97¾	99	0	−0⅝	9.75
Algemene Bk. 8¾ 84 Fl	75	96½	97	0	0	9.20
Ned. Gasunie 8¾ 84 Fl	50	99⅝	100⅛	−0⅛	+0⅛	8.75
Ned. Middbk. 8¾ 84 Fl	75	95⅝	96⅛	0	0	9.54
Norway 8½ 84 Fl	100	97	97½	+0⅛	0	9.13
Norway 8¾ 84 Fl	100	97⅛	97⅝	−0⅛	−0⅛	8.96
Philips Lamps 8⅛ 84 Fl	75	97⅛	97⅝	−0⅝	−0⅝	9.12
Air France 11 84 FFr	120	95	96⅛	0	0	12.36
CECA 14¾ 86 FFr	150	104⅞	106⅛	−0⅛	0	12.80
Euratom 9¾ 87 FFr	150	84⅝	85⅞	0	−0⅛	13.11
Finland 11 84 FFr	80	94	95¼	0	0	12.66
Finland 11½ 89 FFr	70	92½	93⅜	0	0	12.78
Gaz de France 11 84 FFr	150	94⅜	95⅛	−0⅛	0	12.64
IBM France 11⅞ 84 FFr	120	97¼	98⅜	+0⅛	+0⅛	12.51
Renault 9¾ 85 FFr	100	86⅜	87⅜	−0⅛	−0⅛	13.52
Saint-Gobain 9¾ 86 FFr	130	85⅞	86⅞	+0½	+0⅛	13.21
Solvay et Cie 9¾ 87 FFr	125	84¼	85¾	+0⅛	+0⅛	13.27
Beneficial Fin. 14¾ 90 £	20	100	100½	−0¼	−0⅛	14.18
Citicorp O/S 13½ 90 £	50	98⅛	98⅝	−0⅛	−0⅛	13.68
EIB 11½ 91 £	25	91	91⅜	+0⅛	+0⅛	13.02
Fin. for Ind. 12½ 89 £	30	96	97	−0¼	−0⅛	13.19
Fin. for Ind. 14½ 89 £	20	102½	103¼	−0⅛	−0⅛	13.82
Gen. Elec. Co. 12½ 89 £	50	96⅞	97⅜	0	+0⅞	13.01
Swed. Ex. Cr. 15¼ 85 £	20	103⅜	104	−0⅛	−0⅛	14.11
Indonesia 8¾ 91 KD	7	93	93½	0	0	9.77
Mitsubishi 7½ 84 KD	10	92¼	93	0	0	9.77
Norges Kom. 7½ 89 KD	12	93⅜	93⅞	0	0	8.55
Occidental 8¾ 91 KD	7	90¼	90¾	0	0	9.70
Akzo 9⅝ 87 LuxFr	500	94⅝	95⅝	+0⅛	+0⅞	10.21
Euratom 8 87 LuxFr	500	89½	90½	+0⅛	0	10.10
Euratom 9¾ 88 LuxFr	500	98	99	−0⅛	0	10.02
EIB 9¾ 88 LuxFr	600	97⅜	98⅜	0	−0⅛	10.14
Volvo 9¾ 87 LuxFr	500	96½	97½	−0⅛	−0½	10.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¾ 87	0¼	97⅝	98⅛	2/7	15⅞	15.45
Bank of Ireland 5¾ 89	‡0¼	98	98½	21/8	11.81	12.02
Bank of Tokyo 5¾ 89	‡0¼	97⅜	97⅞	25/10	16.56	16.97
Barclays O/S Inv. 5 90	0¼	97⅞	98⅜	13/12	9⅝	9.81
Bergen Bk. A/S 6 89	‡0¼	97⅛	97⅝	29/8	10	10.27
Bilbao Int. NV 5¾ 90	0¼	97½	97⅞	29/11	10.06	10.32
Bque. Indo Suez 5¾ 89	0¼	98⅛	98⅝	11/7	14.69	14.91
Citicorp O/S F. 83	§‡0	98⅜	99⅜	23/8	10.19	10.29
Citicorp O/S F. 84	‡0	98	98½	30/6	9.81	9.99
C. Itoh 5¾ 87	0¼	99⅝	100⅛	18/9	19.44	19.46
Co-operative Bk. 6 86	0¼	98⅛	98⅝	15/11	11.44	11.61
Creditanstalt 5½ 91	§‡0¼	97	97½	14/9	9.44	9.70
CNT 5⅝ 86	§0¼	100⅝	101⅛	16/10	18⅞	17.95
GZB 5½ 89	‡0¼	98	98½	1/8	15¼	15.52
Jugobanka 8 89	0⅜	90⅝	92⅜	23/11	11⅝	12.72
Ind. Bank Japan 5¾ 87	0¼	100	100½	15/10	18¾	18.70
Lloyds Eurofin 8 90 £	0¼	97⅛	97⅝	3/7	8	8.22
LTCB Japan 5¾ 85	0¼	98⅜	98⅞	13/12	9⅝	9.76
LTCB Japan 5½ 89	0¼	98⅛	98⅝	7/12	10⅛	10.27
Mfrs. Han. O/S 5¾ 94	‡0½	97½	98	31/8	9⅞	10.10
Midland Intl. Fin. 5 89	0⅛	99⅜	99⅞	20/12	9½	9.54
Midland Intl. Fin. 5⅝ 92	0¼	98⅞	99⅜	5/12	10⅞	10.97
Nacional Fin. 6¾ 88	0¼	98⅛	98⅝	25/7	14.69	14.91
Nat. West. 5¾ 94	§0¼	100	100½	11/10	18⅝	18.58
Nippon Credit 6½ 86	0⅛	97½	98	12/7	14.44	14.77
Nippon Credit 5¾ 87	‡0¼	97⅝	98⅛	6/8	14⅞	14.89
Royal Bk. Scot. 5¾ 94	§‡0¼	98⅜	98⅞	11/7	19½	19.77
Soc. C. de Bque. 6½ 97	0¼	100¼	100¾	3/10	20.06	19.96
Sogenal 5¾ 89	§0¼	97⅞	98⅜	13/7	14.44	14.71
Standard Chart. 5¾ 90	0¼	101	101½	6/9	17¾	17.04
Sweden 8¾ 91	‡0¼	96¾	97¼	18/10	18⅝	19.20
Williams & Glyn 5¾ 91	0¼	99½	100	14/8	18½	18.56
Bq. E. d'Alg 4¾ 89 SF.	0¼	91⅞	92⅛	18/12	6⅛	6.66

Average price changes... On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktbolag 7⅞ 89	10/79	145	†118	119	0	−8.61
Ajinomoto 7⅞ 95	2/80	615.5	108⅜	109½	+0⅞	−2.05
Alco Int. Fin. 9½ 94	1/80	40	94	94½	−0⅛	28.32
Apache 1. Fin. 8¾ 95	12/80	21.12	111½	112½	−3½	−1.42
Asahi Optical 7 94	11/79	526.1	102⅝	103⅝	−1½	−2.57
Canon 6⅞ 94	8/79	570	112¼	113¼	−0⅞	−0.13
Credit Suisse 4¾ 93	10/79	1278	101½	102½	+0⅛	−3.61
Daiei Inc. 6½ 94	11/79	927.3	98⅛	99⅛	−0⅛	18.56
DDKK 11 90	4/80	324	112¼	113¼	−0⅛	11.56
Dynalectron 9½ 95	8/80	12.22	112½	113½	−0¼	−9.20
Enserch Fin. 9½ 94	7/80	30.25	115⅜	116⅜	+0¼	3.06
LPC Internatnl. 8 89	9/79	23.33	†107	108½	0	12.32
Meidensha Elec. 7 94	12/79	210	99⅛	100⅛	+0⅞	7.15
Mitsubishi Cp. 6½ 94	10/79	649.1	128	129½	+0⅛	5.08
Nippon Seiko 7¾ 94	12/79	339	†112¼	113¼	−0⅝	−1.81
Nitto Elec. Ind. 6 94	7/79	735	88	89	−0½	10.26
Toshiba Cpn. 7¾ 94	10/79	198	101¾	102¾	−0⅞	−0.63
Union Bk. Switz. 5 89	2/80	121.4	98½	99½	−0⅛	5.03
Fujitsu 5 84 DM	7/79	475	103⅝	104⅛	0	6.52
Kansai Elec. 4 84 DM	4/79	1234	87⅝	88⅜	0	36.73
Uny Co. 6½ 85 DM	11/79	1071	96⅜	97⅜	0	24.74

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

GERMAN INDUSTRIAL PLANT

Lurgi flourishes with the correct mix

BY ROGER BOYES IN BONN

ORDER-BOOKS at Lurgi, the West German coal gasification specialist, have moved up to a record DM 4bn and compare strikingly with the generally weak levels of demand being experienced by other major companies in the industrial plant industry.

Many German turnkey plant producers have recorded only slow growth over the past year, suffering from their dependence on vulnerable overseas markets. However, Lurgi, a key subsidiary in the Metallgesellschaft empire, appears to have found the correct product mix for the present troubled times. Besides coal gasification and liquefaction plants, it also deals in environmental, chemical and specialised steel technology as well as raw materials processing.

In addition, Lurgi has just established production facilities in the U.S., through the Lurgi Corporation of California and New Jersey. This is aimed at capturing the company a large slice of the American market (the U.S. only accounts for some 4 per cent of the company's turnover) and cut the high labour costs which have been crippling other German industrial plant companies.

Dr. Dieter Natus, the Lurgi chief executive, made the position clear last week: "In Germany we have the most expensive engineering services in the world. While U.S. competitors need only between $35 and $40 per man hour in labour costs, we have to give out between DM 80 and DM 110." Personnel payments account for 77 per cent of the company's total costs.

Lurgi seems to have weathered these problems, however. Although the company is coy about how much profit it forwards to Metallgesellschaft, it is clear that it is both the steadiest earner in the group and one of the fastest growing companies in the German industrial plant field as a whole.

NEW ORDERS FOR INDUSTRIAL PLANT

	DM bn 1978-79	DM bn 1977-78
GHH	5.7	5.2
Lurgi	3.0	1.4
Fried Krup	2.8	2.5
Mannesmann	2.6	2.4

New orders last year totalled some DM 3bn. By contrast, turnover is relatively low, at DM 1.5bn, but this simply reflects the accounting practices of turnkey plant specialists — deals are registered in the turnover figures only after completion of the project. Sales this year are expected to be well above DM 2bn, which is the rough average annual level for the company.

More significant is the actual complexion of last year's turnover figure. Although it was heavily influenced by large contracts from China, it also reveals an unusual range of non-turnkey activities — that is, project studies, engineering consultancy and so on. This, too, has helped to protect Lurgi from the setbacks which have affected some of the other German companies.

Where are the new orders coming from? In Lurgi's case, they are partly from OPEC countries—a great relief to the board which had feared that the oil producers would be slow in reinvesting their new funds. Venezuela, Nigeria, Iraq and Indonesia are all developing into interesting markets for the company. Saudi Arabia has also just ordered a Midrex direct reduction plant from Lurgi with an annual capacity of 800,000 tonnes of sponge irons.

But Lurgi's real growth potential is in coal gasification and liquefaction. Like its main rival, Krupp Koppers, the company has had the gasification technology since before World War II. By hanging on to and refining the technology—dismissed in Europe as uncommercial during the years of cheap oil—it now finds itself with a trump card.

South Africa, which wanted for political reasons to free itself from oil dependency, bought Lurgi technology for its Sasol plants and a number of countries are now actively interested in gasification techniques. The latest customer is Vietnam, which has ordered from Lurgi and Voest of Austria a coal gasification plant to produce fertiliser.

None the less, there is no denying that Lurgi is as potentially vulnerable to political fluctuation overseas as other companies. Thus the slowdown in large deals from China will have an impact on Lurgi. It is also far from happy about threats of a trade embargo against the Soviet Union. It does much of its trade with Eastern Europe—the latest deal this year is for the assembly of two large iron ore pelletisers in the Soviet Union—but it believes that virtually none of its business would be affected by tighter export regulations. It will, however, have to be careful about using U.S. technology in future projects.

Lurgi then has no immunity from overseas problems—85 to 90 per cent of its business is done abroad—but it has a broader and more future-orientated technological base than many other concerns. Moreover, if the Bonn Government presses ahead with plans to reduce dependence on oil, a lucrative German market could develop for coal gasification.

Sharp rise in earnings for German Esso

By Our Financial Staff

ESSO AG reports net profits of DM 408m ($231.8m) for 1979 compared with DM 253m a year earlier. And as long as oil supplies are not seriously disrupted, a further profit rise is expected for 1980.

Esso AG's basic capital now stands at DM 1.19bn following the transfer of DM 100m from reserves and an injection of DM 85m from the parent company, Exxon. This year West German spending will rise by 40 per cent to some DM 600m, of which DM 250m is for oil and gas developments.

Last year proved "very difficult" for Esso following the loss of Iranian supplies. However, this was the first time it made a profit on its oil business since 1974. Trading profits amounted to DM 12 a tonne of oil sold last year after a loss of DM 4 in 1978. They reached about DM 9 for the first half of this year.

Fiat in French finance move

By David White in Paris

FIAT OF Italy has taken a 50 per cent stake in two finance houses belonging to the Banque Rothschild group in order to increase its direct involvement in hire purchase arrangements for sales of its vehicles in France.

The two finance companies are Cie Europeenne de Financement de Materiel and Cie Europeenne de Bail, specialised subsidiaries of Cie Europeenne de Banque, a merchant bank in which Banque Rothschild bought an 80 per cent stake two years ago.

Voest-Alpine reduces losses

BY PAUL LENDVAI IN VIENNA

AUSTRIA'S SINGLE largest concern, the nationalised steel and heavy engineering group, Voest-Alpine, reports a 14 per cent rise in turnover to Sch 53.3bn ($4.25bn) for 1979 and a reduction of losses from Sch 697m to Sch 71m ($5.66m). Cash flow last year improved from Sch 1.4bn to Sch 1.9bn.

Announcing the results at a Press conference, however, Mr. Herbert Apfalter, chairman and director-general, cautioned that despite the improvement prospects for 1980 were gloomy. "There is no reason whatsoever to expect profits in the near future," he declared.

Exports are likely to remain a priority target. Last year foreign turnover reached 70 per cent of the total.

The parent company, Voest-Alpine AG (which excludes the special steels sector), reported a rise of 7.1 per cent in turnover to Sch 31.3bn. Crude steel output jumped by 13.6 per cent to 4.6m tons and rolled products were up from 3.1m to 3.4m tons.

The group as a whole reported a 14 per cent rise in consolidated turnover to Sch 53.3bn. Investments last year totalled Sch 800m.

The current year began with "very promising results." During the first five months turnover of the parent company rose by 18.6 per cent. However, for the year as a whole an increase of only 10 per cent is expected. At the same time Mr. Apfalter sees growing pressure on prices, primarily in the steel sector.

The third quarter this year "will be particularly disappointing" although an upswing might come in the last quarter. The company had hoped to achieve a balanced result this year, Mr. Apfalter said, but this had now become somewhat uncertain.

The main weakness of the concern was in the special steel sector. Its subsidiary, VEW, needs several billion schillings and Mr. Apfalter stressed that in addition to budgetary subsidies of up to 1bn schillings this year, a further 1bn schillings would be needed to offset losses.

He made it clear that the parent company, apart from providing security for new credits could not provide funds for the special steel subsidiary. In the medium term, however, Mr. Apfalter is still optimistic and expects from 1983 "an upswing" in steel consumption on world markets.

Matra sees further expansion

BY TERRY DODSWORTH IN PARIS

MATRA, THE fast growing French missiles and high technology group, predicts another healthy year of expansion.

M. Jean-Luc Lagardere, chairman, told shareholders that orders since the beginning of this year have amounted to FFr 2bn ($488m). This brings the total order book to FFr 10bn.

M. Lagardere was speaking after a year in which the group had been particularly active, taking over a number of companies in the telephone and vehicle components industries.

In the same period it has played a leading role in the reorganisation of the French watch-making industry, and has come to an agreement with the Peugeot-Citroen group on the reorganisation of its vehicle manufacturing division.

These acquisitions have carried total employment in the group to 37,000, said Mr. Lagardere. He stressed that the company felt it had an obligation both to create employment and help in the development of the regions.

The results show, however, that despite diversification, Matra remains heavily dependent on its military activities, which accounted for sales of FFr 1.8bn last year, of which some 70 per cent went overseas.

The group is to distribute a dividend of FFr 120 a share for 1979. Total sales last year were FFr 4bn and profits rose to FFr 200m.

● Cie Electromecanique, an electrical engineering company, intends to raise its capital by FFr 120m ($29.3m) through a rights issue in order to improve its financial base, shareholders were told at the annual meeting in Paris. The company's biggest single shareholder, Brown Boveri of Switzerland, which has a 39 per cent interest, has agreed to subscribe to the issue. CEM posted a 1979 loss of FFr 78.5m.

Chemical profits seen as inadequate

By Sue Cameron,

THE PROFITS of European chemical companies are "quite inadequate" for building new plants to meet the expected growth in the market, according to Mr. Alan Binder, of Shell International Chemical.

Mr. Binder, speaking to the Austrian Society for the Chemical Industry in Vienna at the end of last week, estimated that efficient European petrochemical producers had earned an average after-tax profit of around 6 per cent on net capital employed over the last 10 years. He said one of the reasons for this "unsatisfactory profitability" was the over-ambition of some of the major chemical companies.

"Profits have tended to be insufficient to generate the necessary finance to pay dividends and instal new plant in line with growth of market demand," he said. "The reasons for low profitability are well known. During brief periods of profitability—the so-called good times—petrochemical investors have been over-impressed with current results and, with understandable ambitions to be big, if not the biggest in their fields, have succumbed to the temptation to over invest."

Mr. Binder said that the chemical industry had learned some "harsh and expensive" lessons since the 1973 oil crisis, but these had shown "the need to adopt a much more prudent investment policy in the future." The industry was also likely to follow a "more ruthless plant-scrapping policy" as obsolescent production units proved increasingly uncompetitive.

He said that the feedstock cost advantage enjoyed by U.S. chemical producers was probably less of a threat to the European industry—in the longer term—than the comparatively low labour costs borne by American companies.

INTERNATIONAL COMPANIES and FINANCE

BORROWER PROFILE — ALGERIA

A drawing in of horns

BY FRANCIS GHILES, RECENTLY IN ALGIERS

ALGERIA HAS all but vanished from the international capital markets. Enhanced earnings from its oil and gas exports, coupled with a shift in its economic policy away from large investment in heavy industry, have reduced its borrowings to a mere $40m in the first six months of this year.

In 1978 Algerian borrowers raised $3.2bn in loans and bonds on the international capital markets, and in 1979 the total was $2.1bn. By the end of last year, when the last large loan for Banque Nationale d'Algerie (BNA) was negotiated, the amount of external borrowing arranged had risen to $21bn-$22bn, of which $15.5bn had been drawn down.

Algeria's disappearance from the market is somewhat ironical, as a growing number of Western bankers appear to believe that this country should obtain better terms relative to other borrowers. Until last autumn, Algerian borrowers, not least Sonatrach, the country's oil company, paid more for its loans than neighbouring Morocco and other less developed countries (LDCs), whose financial situation is far more shaky.

This has changed recently. The terms of the BNA loan — a split spread of ⅞ per cent and 1 per cent over the London interbank offered rate (LIBOR) for 10 years — compare favourably with the margin the Kingdom of Morocco is paying on the $300m loan it is currently arranging through UBAF — a split spread of 1-1¼ per cent.

The reason why Algerian borrowers had previously to pay over the odds was that the country's bankers had proved to be difficult negotiators over the years. They never succeeded in establishing an easy rapport with the major international banks, even with those which were well disposed towards them in the early days. There was also a lack of coordination in the country's borrowings.

The major reason for this confusion lay in the large number of industrial projects which Algeria was undertaking in the period 1973-78. As each foreign supplier submitting tenders had to produce a financial package was well, banks ended up being asked to arrange tentative packages of credit for different firms tendering for the same projects. This confused the market and tarnished the image of the country in the capital markets.

Chadli Benjedid who 18 months ago, succeeded President Boumedienne, recently received backing for a new direction in economic policy. A specially convened congress of the ruling Front de Liberation Nationale (FLN) decided to downgrade the importance attached to heavy industry and to give greater priority to developing smaller more labour intensive industrial units, agriculture, and water resources. More money is also to be spent on social investment.

This shift in emphasis will help reduce Algeria's dependence on outside finance as there will be less need for expensive capital goods than before. Another factor which will reduce the country's need to borrow is the switch being made in the way in which natural gas is exported. More gas is expected now to travel to Europe via the Transmediterranean pipeline and less to be liquefied and sent by ship.

The other major reason why Algeria will need to borrow less in the years to come is that the sharp rise in oil prices since mid-1979 has led to a significant turnaround in the country's economy. The $3.5bn current account deficit recorded in 1978 disappeared last year, and a surplus of more than $1bn is forecast for 1980. Export income, for the most part still derived from oil, is expected to reach $14bn, possibly $15bn this year. Last year it rose to $9.7bn, a more than 50 per cent improvement compared with the figures for 1978.

Algeria's foreign earnings will rise further if Sonatrach succeeds in its present efforts to double the price of the natural gas it exports by aligning it with the price of oil.

It is currently locked in battle with its two major customers, the U.S. company El Paso and Gaz de France, to whom it has virtually ceased to ship gas since Easter. Even if Sonatrach does not have its way altogether, Algeria's gas income is bound to rise.

Were the negotiations to break down irrevocably, this could affect Algeria's credit standing, but such an outcome is viewed as unlikely in the gas trade. With earnings from gas due to overtake those derived from oil in the mid-80s, the outcome of the current negotiations is being keenly followed in banking circles.

Though Algeria's debt service will rise in absolute terms, the debt service ratio—defined as the ratio of repayments to convertible currency income—is falling. Last year it increased from 24 per cent to an estimated 27 per cent. A fall to around 22 per cent is expected for 1980.

Algeria's reputation has been enhanced by a smooth transition, so far, to the post-Boumedienne period. If the fall from grace of Mr. Belaid Abdessalam, the man who was, until last year, the country's very powerful industry overlord, is confirmed in the weeks to come, Algeria's approach to the capital markets could be further improved. Indeed Mr. Abdessalam held his country's bankers in scant regard and never appreciated the finer points of international borrowing, in particular, the need to coordinate fund raising operations.

That was all the more a loss for Algerian borrowers as their country, unlike so many in the Third World, has a well-respected Central Bank, run by the same man since independence, Mr. Seghir Mostefai. He needs no practice in the workings of international capital markets.

Algerian borrowers can thus be expected to reappear later this year. Imports after all are expected to rise to around $70bn between 1980 and 1984. Algeria will need bilateral finance, but the amounts will be sharply lower than in recent years.

EXTERNAL DEBT AND DEBT SERVICE PAYMENTS

($bn)

	1973	1974	1975	1976	1977	1978	*1979
Total contracted debt	4.9	6.0	9.6	11.3	12.2	16.6	21.5
Disbursed debt	2.9	3.3	4.47	5.8	8.6	12.4	15.5
Percentage of GDP	36.0	28.5	32.9	37.0	41.9	50.3	49.2
Interest & amortisation	0.3	0.7	0.7	0.9	1.2	1.7	2.2
Debt service ratio (%)	15.0	13.9	13.7	16.1	18.8	25.1	27.0

* Projected.

Record half-year sales and profits for Matsushita

BY YOKO SHIBATA IN TOKYO

MATSUSHITA Electric Industrial, Japan's largest integrated consumer electrical equipment manufacturer, reported record net earnings, on a parent company basis, for the fiscal half-year ended May 20, helped by strong exports of video tape recorders (VTRs) and colour television sets, on the back of the yen's depreciation.

On the grounds of strong sales of VTRs in the current half-year, the company sees record full year earnings as well.

Matsushita's interim operating profits rose by 20 per cent to Y65.39bn ($300m) and net profits by 13.9 per cent to Y35.12bn, over the same period of the previous year. Profits per share were Y29.40, against Y26.10.

Interim sales were Y947.5bn ($4.4bn) up 17.6 per cent. Exports were Y196bn, up 49 per cent, and Y36bn over the original target. Exports far better than expected resulted from buoyant sales of VTRs in the Middle East, in addition to those for the U.S. and European markets.

VTR sales in the half-year totalled Y68.8bn, to show a gain of 62 per cent, of which domestic sales accounted for Y24.5bn (up 44 per cent) and exports for Y44.3bn (up 75 per cent). Vigorous VTR sales to the Middle East, accompanied by brisk colour TV sales to that region, offset slow colour TV sales in the U.S.

At the beginning of the fiscal year, the company planned for an exchange rate at Y230 per dollar. In the market, however, the yen depreciated to Y245 per dollar, which generated exchange gains of Y7bn.

In addition to improvement in export profitability, the company's measures to emphasise sales of high added value products contributed to the earnings gain.

In the current half-year, ending November 20, a slowdown of consumer spending on electric appliances resulting from recent utility price rises is feared. However, the company has decided to accelerate the production of VTRs to cope with its surge in demand from both domestic and overseas markets. The production capacity of VTRs is to be lifted to 100,000 units a month at the end of this year, from the current level of 70,000 units, and an earnings improvement with the production increase is expected. Sales of newly introduced copier machines and office computers are also expected to contribute more fully to earnings in the current half.

The company forecasts record sales and earnings for full fiscal year, ending November 20, with operating profits expected to reach Y133.4bn, up 14 per cent, on sales of Y1.95bn, up 12 per cent.

* * *

SHISEIDO COMPANY, Japan's leading cosmetics manufacturer, lifted after-tax profit to Y5.51bn ($25.3m) in the half year ended May 31, from Y5.22bn in the same period of 1978-79. Sales came to Y144.8bn ($662m) compared with Y136.19bn, Reuter reports from Tokyo.

The interim dividend is held at Y5.

Meanwhile, **Kao Soap Company**, the top manufacturer of synthetic detergents in Japan, with about 40 per cent of the market, has reported a fall in first half consolidated net income to Y4.85bn from Y5.76bn.

Pound firm

Sterling rose to its best level of the month in currency markets yesterday, with trading slightly busier than usual for the last day of the half year. The pound continued to follow its weekly pattern of short covering after last week's unchanged MLR. But dealers indicated a growing awareness in the market that MLR was unlikely to fall in the near future. While some quarters have predicted that MLR may not be changed before September, there has still been a regular switch out of sterling ahead of any possible announcement each Thursday. On Bank of England figures, the pound's index rose to 74.4 from 74.1, having stood at 74.4 at noon and 74.2 in the morning.

Against the dollar it opened at $2.3515-2.3525, and rose on good demand, notably out of Switzerland, to a high of $2.3640. During the afternoon however, demand for the dollar saw the rate fall to a closing level of $2.3560-2.3570, a rise of 95 points, and its best closing level since the end of May.

The dollar finished towards its best level of the day, after a weaker start, following weekend reaction to the latest U.S. trade figures, which were generally worse than expected. However demand for the U.S. unit picked up during the afternoon as New York entered the market, with Euro-dollar rates showing a firmer tendency and U.S. leading indicators declining by 2.4 per cent against an expected figure of around 2.1 per cent. Against the D-mark it closed at DM 1.7635, having been as low as DM 1.7560 early afternoon, and compared with DM 1.7640 on Friday. Similarly against the Swiss franc, it finished at SwFr 1.6285 against SwFr 1.6275 previously. The yen was weaker with the dollar rising to Y219.75 from Y217.50. On Bank of England figures, the dollar's index rose to 83.5 from 83.4.

BELGIAN FRANC — Remaining steady within the EMS despite recent easing of Brussels interest rates, including a cut in the central bank discount rate last week—The Belgian franc was generally firmer against its EMS partners at yesterday's fixing in Brussels, but lost ground against the Irish punt and sterling. The pound was fixed at BFr 66.48 against BFr 66.2675 while the punt rose to BFr 59.88 from BFr 59.85. On the other hand the D-mark slipped to BFr 16.0025 against BFr 16.01 and the French franc was lower at BFr 6.8835 compared with BFr 6.8897½. The dollar fell to BFr 28.12 from BFr 28.2575.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover—The dollar rose against the yen in Tokyo yesterday, closing at Y218.10 compared with Y217.55 on Friday. It opened at Y217.50 and eased to Y217.30 before coming back to reach a high later in the day of Y218.30. The yen may have been weakened by rumours circulating ahead of Japanese trade figures.

D-MARK — Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of Euro-currency interest rate differentials—The Bundesbank bought a nominal $11.75m at yesterday's fixing in Frankfurt, when the dollar was fixed lower at DM 1.7582 compared with DM 1.7653 on Friday. The dollar suffered from the latest U.S. trade figures, which were generally worse than expected. Trading was mostly subdued with banks adjusting their positions on the last day of the half year. Initially the U.S. unit was higher on Euro-dollar interest rates, but came back on selling in thin trading. Elsewhere sterling rose to DM 4.1530 from DM 4.1380, with most other currencies showing little change.

THE POUND SPOT AND FORWARD

June 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3515-2.3640	2.3560-2.3570	1.82-1.72c pm	9.01	4.17-4.07 pm	6.99
Canada	2.7075-2.7200	2.7115-2.7135	1.25-1.15c pm	5.31	3.55-3.45 pm	5.16
Nethlnd.	4.54-4.57	4.54½-4.55½	3⅝-2¾c pm	7.58	7⅝-6⅝ pm	6.26
Belgium	66.35-66.65	66.50-66.60	30-20c pm	4.51	60-50 pm	3.30
Denmark	12.84-12.89	12.88¾-12.87¾	1¾ore pm-1⅛ dis	−1.28	2⅞-4⅛ dis	−1.01
Ireland	1.1055-1.1100	1.1080-1.1090	0.06-0.01p pm	0.32	0.20-0.15 pm	0.63
W. Ger.	4.13-4.17	4.15-4.16	3⅝-2⅝pf pm	9.02	8⅛-7⅛ pm	7.34
Portugal	114.75-116.50	114.95-115.15	10c pm-25 dis	−0.64	35pm-65dis	−1.04
Spain	165.00-165.75	165.25-165.45	10c pm-35 dis	−1.81	55-115 dis	−2.06
Italy	1,975-1,985	1,973-1,976	25-29lire dis	−16.41	53-61 dis	−11.55
Norway	11.38-11.44	11.41½-11.42½	8⅝-7ore pm	8.14	19½-17⅞ pm	6.52
France	9.63-9.67	9.64¾-9.65¾	5⅝-4½c pm	6.08	11-10 pm	4.35
Sweden	9.77-9.81	9.78-9.79	3½-2⅞ore pm	3.83	4⅞-4⅛ pm	1.84
Japan	510-520	517¼-518¼	2.20-1.90y pm	4.76	5.85-5.55 pm	4.44
Austria	29.40-29.65	29.45-29.60	20-17gro pm	7.53	50-40 pm	6.11
Switz.	3.81-3.85	3.83¼-3.84¼	4⅝-3⅝c pm	12.90	10⅞-9⅞ pm	10.81

Belgian rate is for convertible francs. Financial franc 66.90-67.00. Six-month forward dollar 6.15-6.10c pm. 12-month 9.20-9.10c pm.

THE DOLLAR SPOT AND FORWARD

June 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3515-2.3640	2.3560-2.3570	1.82-1.72c pm	9.01	4.17-4.07 pm	6.99
Ireland†	2.1250-2.1310	2.1250-2.1270	1.70-1.60c pm	9.31	4.05-3.95 pm	7.52
Canada	1.1492-1.1509	1.1506-1.1508	0.33-0.38c dis	−3.70	0.51-0.56dis	−1.86
Nethlnd.	1.9275-1.9315	1.9295-1.9310	0.13-0.23c dis	−1.12	0.33-0.43dis	−0.79
Belgium	28.13-28.25	28.23-28.25	10½-12c dis	−4.78	25-28 dis	−3.75
Denmark	5.4480-5.4525	5.4500-5.4525	3½-4ore dis	−8.25	10½-11 dis	−7.89
W. Ger.	1.7560-1.7645	1.7630-1.7640	0.05pf pm-0.05 dis	—	0.22-0.12 pm	0.38
Portugal	48.77-49.05	48.85-49.05	32-42c dis	−9.06	70-115 dis	−7.55
Spain	70.00-70.15	70.06-70.11	45-60c dis	−8.99	145-185 dis	−8.85
Italy	838.30-839.75	838.50-838.80	20-23lire dis	−30.76	41-45 dis	−20.51
Norway	4.8345-4.8400	4.8385-4.8390	par-0.50ore dis	−0.62	par-0.50 dis	−0.21
France	4.0870-4.0935	4.0915-4.0930	0.98-1.08c dis	−3.02	2.60-2.80dis	−2.64
Sweden	4.1435-4.1550	4.1455-4.1470	1.60-1.75ore dis	−4.85	5.05-5.20dis	−4.94
Japan	217.70-220.20	219.70-219.80	0.75-0.90y dis	−4.50	1.40-1.55dis	−2.68
Austria	12.48½-12.51¼	12.50-12.51	1.05-1.65gro dis	−1.29	1.75-3.50dis	−2.52
Switz.	1.6165-1.6300	1.6280-1.6290	0.58-0.50c pm	3.98	1.66-1.56 pm	3.95

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 30	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.4	−31.7
U.S. dollar	83.5	−10.1
Canadian dollar	81.7	−16.2
Austrian schilling	157.4	+24.9
Belgian franc	116.0	+14.4
Danish kroner	107.9	−3.7
Deutsche mark	155.6	+44.4
Swiss franc	198.2	+79.5
Guilder	125.8	+19.7
French franc	101.9	−5.5
Lira	55.0	−51.4
Yen	129.0	+26.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

June 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.563927	0.607753
U.S. $	11	1.32162	1.43542
Canadian $	10.63	1.51894	1.63753
Austria Sch.	6¾	16.8810	17.8962
Belgian F.	13	37.3457	40.2753
Danish K.	13	7.24116	7.79279
D'Mark	7½	2.33306	2.51473
Guilder	9½	2.55800	2.75691
French Fr.	9½	5.42029	5.84138
Lira	15	1110.16	1197.36
Yen	9	287.452	310.158
Norwgn. Kr.	9	6.41515	6.90404
Spanish Pts	8	92.7249	100.043
Swedish Kr.	10	5.49953	5.93432
Swiss Fr.	3	2.12120	2.51817

OTHER CURRENCIES

June 30	£	$		£ Note Rates
Argentina Peso	4360-4380	1850-1857	Austria	29.30-29.60
Australia Dollar	2.0375-2.0415	0.8650-0.8655	Belgium	66.30-66.90
Brazil Cruzeiro	122.59-123.59	52.115-52.315	Denmark	12.80-12.90
Finland Markka	8.545-8.553	3.6255-3.6270	France	9.60-9.68
Greek Drachma	100.284-102.584	42.65-42.80	Germany	4.13½-4.17½
Hong Kong Dollar	11.60½-11.62½	4.9240-4.9260	Italy	1930-1980
Iran Rial	n/a	n.a.	Japan	512-517
Kuwait Dinar (KD)	0.626-0.636	0.2670-0.2671	Netherlands	4.53-4.66
Luxembourg Frc.	66.50-66.60	28.23-28.25	Norway	11.36-11.45
Malaysia Dollar	5.0485-5.0525	2.1400-2.1420	Portugal	111½-115½
New Zealand Dlr.	2.3840-2.3890	1.0120-1.0150	Spain	160-166½
Saudi Arab. Riyal	7.81-7.87	3.3290-3.3310	Sweden	9.76-9.84
Singapore Dollar	4.9775-4.9875	2.1120-2.1140	Switzerland	3.81½-3.83½
Sth. African Rand	1.8120-1.8145	0.7690-0.7700	United States	2.352-2.361
U.A.E. Dirham	8.69-8.75	3.7010-3.7030	Yugoslavia	63-66½

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.2358	+1.12	+0.39	±1.53
Danish Krone	7.72336	7.79476	+0.92	+0.19	±1.64
German D-Mark	2.48208	2.51583	+1.36	+0.63	±1.125
French Franc	5.84700	5.84625	−0.01	−0.74	±1.3557
Dutch Guilder	2.74362	2.75780	+0.52	−0.21	±1.512
Irish Punt	0.668201	0.671881	+0.55	−0.18	±1.668
Italian Lira	1157.79	1199.42	+3.60	+3.38	±4.06

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 30	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.357	4.155	517.8	9.648	3.838	4.553	1975.	2.713	66.65
U.S. Dollar	0.424	1.	1.763	219.7	4.094	1.628	1.932	837.9	1.151	28.24
Deutschemark	0.241	0.567	1.	124.6	2.322	0.924	1.096	475.2	0.653	16.02
Japanese Yen 1,000	1.931	4.551	8.025	1000.	18.63	7.412	8.793	3814.	5.239	128.5
French Franc 10	1.037	2.443	4.307	536.7	10.	3.978	4.719	2047.	2.812	68.98
Swiss Franc	0.261	0.614	1.083	134.9	2.514	1.	1.186	514.5	0.707	17.34
Dutch Guilder	0.220	0.518	0.913	113.7	2.119	0.843	1.	433.7	0.596	14.62
Italian Lira, 1,000	0.506	1.193	2.104	262.2	4.886	1.944	2.306	1000.	1.374	33.70
Canadian Dollar	0.369	0.869	1.532	190.9	3.557	1.415	1.678	727.9	1.	24.53
Belgian Franc 100	1.503	3.541	6.245	778.0	14.50	5.766	6.841	2967.	4.076	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 30)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 15/16	offer 9 15/16	bid 10 1/16	offer 10 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

June 30	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	—	9⅛-9¾	12-14	10⅜-10⅝	1½-2	9[illegible]-9[illegible]	12½-12¾	30-50	9⅜-9½	14½-15½
7 days' notice	17⅞-18⅜	9⅛-9¾	12-14	10⅜-10⅝	4-4½	9¾-9⅞	12½-12¾	36-50	9⅜-9½	13⅞-14⅛
Month	17½-17¾	9½-9¾	12⅝-12¾	10½-10⅝	5[illegible]-5⅜	9[illegible]-9⅝	12⅜-12⅝	36-38	9[illegible]-9[illegible]	13⅝-15⅛
Three months	17-17¼	9⅝-9⅞	11½-11⅞	10⅜-10⅝	5[illegible]-5[illegible]	9⅜-9½	12⅜-12⅝	28½-30½	9[illegible]-9[illegible]	12¼-12⅜
Six months	15[illegible]-15[illegible]	9⅞-10⅛	11-11⅛	10⅜-10⅝	5[illegible]-5[illegible]	8[illegible]-8[illegible]	12⅜-12⅝	24-26	9[illegible]-9[illegible]	11⅛-11¼
One Year	14[illegible]-14[illegible]	9[illegible]-10[illegible]	10¼-10⅝	10⅛-10⅜	5⅛-5¼	8[illegible]-8[illegible]	12½-12¾	20½-22	9¾-9⅞	9⅝-9¾

The following nominal rates were quoted for London dollar certificates of deposit: one-month 9.20-9.30 per cent; three-months 9.30-9.40 per cent; six-months 9.40-9.50 per cent; one year 9.50-9.60 per cent.

Long-term Eurodollar two years 10⅝-11 per cent; three years 10⅞-11⅛ per cent; four years 11-11¼ per cent; five years 11⅛-11⅜ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

European rates firm

European interest rates were slightly firmer in places yesterday, while Eurodollar rates showed a sharp upward movement following disappointment at the latest U.S. money supply figures.

In Frankfurt call money rose to 10.20-10.40 per cent from 10.20-10.30 per cent, while one-month funds were unchanged at 9.90-10.10 per cent. Three-month money rose to 9.90-10.10 per cent from 9.80-9.95 per cent; six-month to 9.20-9.40 per cent from 9.15-9.30 per cent, and 12-month to 9.10-9.30 per cent from 8.80-8.80 per cent.

In Paris overnight money firmed to 12½ per cent from 12¼ per cent, but period rates were little changed, with one-month rising to 12¼-12⅜ per cent from 12¼-12⅛ per cent; while three-month was unchanged at 12½, and six-month at 12⅜ per cent, and 12-month at 11⅞-12⅛ per cent.

In Singapore two of the big four banks, Overseas-Chinese Banking Corporation and the United Overseas Bank, cut their prime lending rates. Several other banks also reduced prime rates by between ¼ per cent and ½ per cent to 11½ to 12 per cent. Overseas-Chinese cut its rate by ¼ per cent to 10¾ per cent, while United Overseas lowered its prime by ¼ per cent to 11 per cent.

UK MONEY MARKET

Moderate help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Overnight money rose very sharply in interbank trading in the London money market yesterday afternoon. Quarterly make-up day left the banking sector very short of call funds, although discount houses found money freely available as the banks tried to maintain their correct ratio of reserve asset money. Houses generally paid 16¾-17 per cent for day-to-day money, although some funds were available at 4 per cent, while banks paid up to 200 per cent in the interbank market.

The Bank of England gave moderate assistance to the market by buying a moderate amount of Treasury bills from the houses and banks, and a small number of local authority bills from the houses.

Banks brought forward flat balances from Friday, but are expected to carry over heavily run-down balances this morning. There were no factors in favour of the market, but repayment was made of Friday's moderate borrowing.

GOLD

Sharp rise

Gold rose to its highest closing level since February 2 in the London bullion market yesterday, finishing at $650-653, a rise of $14 an ounce from Friday. It opened at $653-656 and continued the firmer trend seen in New York on Friday, with dealers reporting a return of confidence in the metal together with lower U.S. interest rates accounting for the demand.

In Paris the 12½ kilo bar was fixed at FFr 85,690 per kilo ($652.12 per ounce).

In Frankfurt the 12½ kilo bar was fixed at DM 37,480 per kilo ($662.53 per ounce) against DM 36,080 ($635.72) previously and closed at $652-655 per ounce.

	June 30		June 26	
Gold Bullion (fine ounce)				
Close	$650-653	(£275¾-277¼)	$636-639	(£270½-272)
Opening	$653-656	(£277-278½)	$624-627	(£266-267½)
Morning fixing	$662.50	(£280.780)	$631.50	(£269.239)
Afternoon fixing	$653.50	(£277.105)	$637.50	(£270.988)
Gold Coins				
Krugerrand	$666½-669½	(£283-285)	$654-656	(£278¼-279¾)
Mapleleaf	$664½-667½	(£281½-283½)	$652-655	(£276¾-278¾)
New Sovereigns	$164½-166½	(£69¾-70¾)	$160½-161½	(£68¼-69¼)
King Sovs	$182-185	(£77¼-78¾)	$180-182	(£76½-77½)
Victoria Sovs	$182-185	(£77¼-78¾)	$180-182	(£76½-77½)
French 20s	$157-160		$158-161	
50 pesos Mexico	$806-810		$776-786	
100 Cor. Austria	$638-643		$625-630	
$20 Eagles	$744-748		$729-733	
$10 Eagles	—		—	
$5 Eagles	—			

LONDON MONEY RATES

June 30 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	17¾-200	—	—	—	—	4-17	—	—	—
2 days notice	—	—	17⅞-18⅛	—	—	—	—	—	—	—
7 days or	—	17¾-18½	17⅞-18⅞	—	18⅞	18½	18⅛-17	—	—	—
7 days notice	—	17½-18	17⅝-17¾	18⅜-18¾	18⅛	18	16¾	15[illegible]-15[illegible]	17¼-17[illegible]	18
One month	17¾-17⅞	17[illegible]-17⅛	—	17⅜-17⅞	17¾	—	16⅜	15[illegible]-15[illegible]	16[illegible]-16[illegible]	17½
Two months	17⅝-17⅛	16[illegible]-17[illegible]	17-17¼	16⅞-17⅜	17⅜	17⅝-17¾	16⅛	15[illegible]-15[illegible]	16¼-16[illegible]	16¾
Three months	17-16⅞	15⅝-16	16¾	16⅛-15½	16⅛	16½	—	—	14½-14[illegible]	16½
Six months	15[illegible]-15⅝	14⅝-14⅞	—	15⅛-15½	16	16¾	—	—	—	—
Nine months	14¾-14[illegible]	14¼-14½	14½-14⅞	14⅛-14¾	14¾	16¾	—	—	—	—
One Year	14¼-14	—	14-14¼	—	—	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13¾-14¼ per cent; four years 13¾-14¼ per cent; five years 13[illegible]-14¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16¾ per cent; four-month trade bills 16¾ per cent.

Approximate selling rate for one-month Treasury bills 15⅛-15[illegible] per cent; two-months 15[illegible]-15[illegible] per cent; three-months 15[illegible]-15[illegible] per cent. Approximate selling rates for one-month bank bills 17⅛-17[illegible] per cent; two-months 16[illegible]-16[illegible] per cent; three-months 16⅛-16[illegible] per cent; one-month trade bills 17¾ per cent; two-months 17¼ per cent; and three-months 16¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from July 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.6801 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11½-12
Fed. Funds	8¾-10¼
Treasury Bills (13-week)	7.88
Treasury Bills (26-week)	7.95
GERMANY	
Discount Rate	7.5
Overnight Rate	10.30
One month	10.00
Three months	10.00
Six months	9.30
FRANCE	
Discount Rate	9.5
Overnight Rate	12.5
One month	12.3125
Three months	12.3125
Six months	12.0
JAPAN	
Discount Rate	9.0
Call (Unconditional)	12.6875
Bills Discount (three-month)	—

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on June 30, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	98.0
Albania	Lek	10.20
Algeria	Dinar	9.0445
Andorra	French Franc	9.6475
	Spanish Peseta	165.35
Angola	Kwanza	66.232
Antigua (S)	E. Caribbean $	6.378
Argentina	Ar. Peso Free Rate	4,370.0
Australia (S)	Australian $	2.0395
Austria	Schilling	29.475
Azores	Portug. Escudo	115.05
Bahamas (S)	Ba. Dollar	2.3565
Bahrain (S)	Dinar	0.889
Balearic Isles	Spa. Peseta	165.35
Bangladesh (S)	Taka	34.52
Barbados (S)	Barbados $††	4.7130
Belgium	B. Franc	(cm) 66.55
		(fn) 66.95
Belize	B $	4.7130
Benin	C.F.A. Franc	482.375
Bermuda (S)	Bda $	2.3565
Bhutan	Indian Rupee	18.32
Bolivia	Bolivian Peso	59.0
Botswana (S)	Pula	1.8300
Brazil	Cruzeiro ‡‡	123.09
Brit. Virgin Isles (S)	U.S. $	2.3565
Brunei (S)	Brunei $	4.9825
Bulgaria	Lev	1.9590
Burma	Kyat	15.85
Burundi	Burundi Franc	210.58
Cameroon Republic	C.F.A. Franc	482.375
Canada	Canadian $	2.7125
Canary Islands	Spanish Peseta	165.35
Cape Verde Isle	Cape V. Escudo	86.15
Cayman Islands (S)	Cay. Is. $	1.9635
Cent. Af. Repub.	C.F.A. Franc	482.375
Chad	C.F.A. Franc	482.375
Chile	C. Peso	(Bk) 91.94
China	Renminbi Yuan	3.4100
Colombia	C. Peso	(F) 110.99
Comoro Islands	C.F.A. Franc	482.375
Congo (Brazaville)	C.F.A. Franc	482.375
Costa Rica	Colon	20.85
Cuba	Cuban Peso	1.5992
Cyprus (S)	Cyprus £	0.814
Czechoslovakia	Koruna	(com) 12.20
		(nc) 24.28
		(T) 20.48
Denmark	Danish Krone	12.8675
Djibouti	Fr.	406 (sG)
Dominica (S)	E. Caribbean $	6.3780
Dominican Repub.	Dominican Peso	2.3565
Ecuador	Sucre	(O) 58.50
		(F) 65.30
Egypt	Egyptian £	(U) 1.72
Equatorial Guinea	Ekpwele	168.38
Ethiopia	Ethiopian Birr	(P) 4.8350
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	12.8675
Fiji Islands	Fiji $	1.9045
Finland	Markka	8.4590
France	French Franc	9.6475
French C'tyin Af*	C.F.A. Franc	482.375
French Guiana	Local Franc	9.6475
French Pacific Is.	C.F.P. Franc	172 (sG)
Gabon	C.F.A. Franc	482.375
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.155
Germany (West)	Deutsche Mark	4.155
Ghana (S)	Cedi	6.45
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	101.429

Place and Local Unit		Value of £ Sterling
Greenland	Danish Kroner	12.8675
Grenada (S)	E. Caribbean $	6.3780
Guadaloupe	Local Franc	9.6475
Guam	U.S. $	2.3565
Guatemala	Quetzal	2.3565
Guinea Republic	Syli	44.10
Guinea Bissau	Peso	78.65
Guyana (S)	Guyanese $	6.0090
Haiti	Gourd	11.80
Honduras Repub.	Lempira	4.7385
Hong Kong (S)	H.K. $	11.6175
Hungary	Forint	(com) 74.3515
		(T)(nc) 52.00
Iceland (S)	I. Kronr	1,073.68(sg)
India (S)	Ind. Rupee	18.32
Indonesia	Rupiah	1,475.0
Iran	Rial	n/a
Iraq	Iraq Dinar	0.6950
Irish Republic (k)	Irish £	1.1085
Israel	Shekel	11.7195
Italy	Lira	1,974.5
Ivory Coast	C.F.A. Franc	482.375
Jamaica (S)	Jamaica Dollar	4.2030
Japan	Yen	517.75
Jordan (S)	Jordan Dinar	0.685(sg)
Kampuchea	Riel	2,827.8
Kenya (S)	Kenya Shilling	17.12
Kiribati	Australian $	2.0395
Korea (Nth)	Won	1.9875(ll)
Korea (Sth)	Won	1,419.47
Kuwait	Kuwait Dinar	0.631
Laos	Kip Pot Po	944.0
Lebanon	Lebanese £	8.0680
Lesotho	Loti	1.81325
Liberia	Liberian $	2.3565
Libya	Libyan Dinar	0.6975
Liechtenstein	Swiss Franc	3.8375
Luxembourg	Lux Franc	66.55
Macao	Pataca	12.50
Madeira	Portug'se Escudo	115.05
Malagasy Republic	MG Franc	482.375
Malawi (S)	Kwacha	1.869
Malaysia (S)	Ringgit	5.0475
Maldive Islands (S)	Mal Rupee	9.2750
Mali Republic	Mali Franc	964.75
Malta (S)	Maltese £	0.799
Martinique	Local Franc	9.6475
Mauritania	Ouguiya	96.85
Mauritius (S)	M. Rupee	17.85
Mexico	Mexican Peso	53.93
Miquelon	C.F.A. Franc	482.375
Monaco	French Franc	9.6475
Mongolia	Tugrik	(o) 6.185(ll)
Montserrat	E. Caribbean $	6.3780
Morocco	Dirham	8.80(sg)
Mozambique	Metical	67.25
Nauru	Australian Dollar	2.0395
Nepal	Nepalese Rupee	28.30
Netherlands	Guilder	4.6525
Netherland Antilles	Antillian Guilder	4.2180
New Hebrides	Franc	152(sg)
	Aust. Dollar	2.0395
New Zealand (S)	N. Z. Dollar	2.3865
Nicaragua	Cordoba	23.575
Niger Republic	C. F. A. Franc	482.375
Nigeria (S)	Naira	1.270648(sg)
Norway	Norway Krone	11.42
Oman Sultanate of (S)	Rial Omani	0.814
Pakistan	Pakistan Rupee	23.20
Panama	Balboa	2.3565
Papua N.Guinea (S)	Kina	1.5550
Paraguay	Guarani	294.68

Place and Local Unit		Value of £ Sterling
Peru	Sol	exc (A) 657.05
Philippines	Philippine Peso	17.15
Pitcairn Islands (S)	£ Sterling	
	New Zealand $	2.3865
Poland	Zloty	(Cm) 71.19
		(T) 71.19
Portugal	Portugu'se Escudo	115.05
Puerto Rico	U.S. $	2.3565
Qatar (S)	Qatar Ryal	8.57
Reunion Ile de la	French Franc	9.6475
Romania	Leu	(Cm) 10.48
		(n/c) T28.15
Rwanda	Rwanda Franc	218.525
St. Christopher (S)	E. Caribbean $	6.3780
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	6.3780
St. Pierre	Local Franc	9.6475
S. Vincent (S)	E. Caribbean $	6.3780
Salvador El	Colon	5.9025
Samoa American	U.S. $	2.3565
San Marino	Italian Lira	1,974.5
Sao To'e&Principe	Dobra	80.85
Saudi Arabia	Ryal	7.84
Senegal	C.F.A. Franc	482.375
Seychelles	S. Rupee	14.50(sg)
Sierra Leone (S)	Leone	2.4159
Singapore (S)	Singapore $	4.9825
Solomon Islands (S)	Solomon Is. $	1.9205
Somali Republic	Somali Shilling	(A) 14.20
South Africa (S)	Rand	1.81325
South West African Territories (S)	S. A. Rand	1.81325
Spain	Peseta	165.35
Spanish ports in North Africa	Peseta	165.35
Sri Lanka (S)	S. L. Rupee	37.40
Sudan Republic	Sudan £ (1)	1.17
Sudan Republic	Sudan £ (2)	1.87
Surinam	S. Guilder	4.2180
Swaziland (S)	Lilangeni	1.81325
Sweden	S. Krona	9.785
Switzerland	Swiss Franc	3.8375
Syria	Syria £	(A) 9.2660
Taiwan	New Taiwan $	84.80
Tanzania (S)	Tan. Shilling	19.15
Thailand	Baht	47.90
Togo Republic	C.F.A. Franc	482.375
Tonga Islands (S)	Pa'anga	2.0395
Trinidad (S)	Trinidad & Tob. $	5.6555
Tunisia	Tunisian Dinar	0.922 (SG)
Turkey	Turkish Lira	181.94
Turks & Caicos	U.S. $	2.3565
Tuvalu	Australian $	2.0395
Uganda (S)	Uganda Shilling	17.10
United States	U.S. Dollar	2.3565
Uruguay	Uruguay Peso	(cm) 21.11
		(fn) 21.11
Utd. Arab Emirates	U.A.E. Dirham	8.72
U.S.S.R.	Rouble	1.5250
Upper Volta	C.F.A Franc	482.375
Vatican	Italian Lire	1,974.5
Venezuela	Bolivar	10.12
Vietnam	Dong	(O) 5.1450
		(T) 4.8665(;)
Virgin Islands U.S.	U.S. Dollar	2.3565
Western Samoa	S. Samoan Tala	2.1325
Yemen (Nth)	Ryal	10.62(SG)
Yemen (Sth)	S. Yemen Dinar	(A) 0.8060
Yugoslavia	New Y Dinar	54.0748
Zaire Republic	Zaire	6.755348
Zambia	Kwacha	1.81
Zimbabwe	Zimbabwe $	1.4950

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 99.00. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Official rate for exports and imports. (2) Parallel rate for all transactions except specified exports and imports.

COMPANY NOTICES

Wall St. down 9.5 at 1pm

CONTINUING Friday's downward trend, stocks on Wall Street receded across a broad front in moderate trading yesterday morning.

The Dow Jones Industrial Average dropped steadily through the early session, and by 1 pm had fallen 9.56 from its Friday close to 872.27. The NYSE All Common Index shed 64 cents at $65.70. Declines led rises by a ratio of more than four to one on volume of 20.42m, compared with 23.36m at 1 pm on Friday.

Profit-taking continued to depress prices, particularly the recently strong Oils.

Analysts said a pullback was long overdue but the moderate trading pace indicated there was no great concern about the decline. They said the slower pace also indicated that end-of-quarter portfolio adjustments are nearly complete.

Analysts also cited weakness in the bond market and further talk in Washington of tax cuts.

Among the actives, Exxon lost $¾ to $67¾, Occidental Petroleum $¾ to $26⅜ and Mobil $1 to $72, despite news of further tests of the Hibernia prospect off Newfoundland.

Among partners in that find, Gulf Oil lost $⅜ to $41½, California Standard $1¼ to $78½, Columbia Gas $¼ to $38¼ and Gulf Canada, the American Exchange volume leader, $⅛ to $28¾.

Storage Technology eased $⅛ to $13⅞ but Amdahl gained $1¼ to $19¼ on the American Exchange. The companies called off their planned merger.

Gaming shares advanced. Bally Manufacturing rose $¾ to $27, Caesars World $⅞ to $17, Playboy $½ to $15½, and among the AMEX actives, Resorts International "A" $1⅛ to $36¾ and Golden Nugget $1 to $29⅝.

THE AMERICAN S.E. Market Value Index at 1 pm was off 2.52 at 294.24. Volume was 3.18m shares (2.7m).

Bow Valley Industries lost $¼ to $16⅝, Houston Oil $¼ to $27¾ and Husky Oil $⅛ to $14¾.

Pepcom Industries rose $2¼ to $35⅞. Suntory of Japan agreed to acquire Pepcom for $38 a share or about $100m.

Closing prices for North America were not available for this edition.

Canada

Markets failed to show any definite tendency early yesterday. Toronto issues continued higher in fairly active trading but Montreal prices were mixed.

At noon the Toronto Composite index was up 2.3 at 2071.8 at noon, and the Metals and Minerals sub-index was up 3.1 at 1888.7. Golds rose 77.0 to 4437.0.

Against the trend Oil and Gas issues were slightly lower and active. Imperial Oil "A" fell C$½ to C$45¾, Asamera Oil C$⅝ to C$23⅜, Shell Canada C$¼ to C$34⅜ and Dome Petroleum C$¼ to C$87.

The Montreal Industrial Index was off 1.38 to 378.96 at noon. Banks were off 0.27 at 357.28, but Papers were up 0.20 at 177.15.

Bank of Montreal at C$27⅝ was unchanged and Bank of Nova Scotia at C$30½ slipped C$¼.

Australia

Stocks closed sharply higher in active trading, with Oils and Gold Mining issues particularly favoured. The Sydney All Ordinaries Index was up 5.13 at 903.97 while the Metals and Minerals sub-group rose 59.65 to 5,740.56.

Stronger gold prices and improved test flows from the Woodada Gas discovery in Western Australia contributed to the firm tendency.

News that Strata Oil's Woodada No. 1 well in the Dongara basin was flowing at a daily rate of 32.28m cubic feet of gas pushed Strata shares 65 cents higher to A$2.10 while affiliate, Northwest Mining added 25 cents to A$2.25.

Strata associate, Haoma Gold finished 20 cents up at A$2.50 while Central Norseman advanced 90 cents to A$11.50.

Coal issues were also active, led by Meekatharra which firmed 40 cents to A$7.20 while CSR rose 4 cents to A$7.36 after an announcement that the Government would allow Japanese participation in the Hail Creek coal project in Queensland.

Utah Mining rose 20 cents to A$5.50 in response to a return to work by striking workers at the company's Queensland coal operations.

Elsewhere among Minings, Peko-Wallsend lost 20 cents to A$8.00 but in a firm Industrial sector Comalco and BHP closed unchanged at A$5.80 an A$15.10 respectively.

Hong Kong

Shares continued to advance sharply on a broad front yesterday as the Hang Seng index reached a new seven-year peak for the third day running. At the close it had gained 25.41 on the day at 1066.84.

Trading was especially active in the morning session, after which prices levelled off as some profit-taking emerged in selected stocks.

Hongkong Land continued its recent firm trend, rising 60 cents to HK$14.40, while Jardine Matheson firmed 20 cents to HK18.20 and Hongkong Wharf HK$4.50 to HK$77.50, but World International was unchanged on HK$3.90.

The market is closed tomorrow for a local holiday.

Tokyo

Share prices closed generally higher on selective buying of low-priced Constructions, Paper-pulps and Chemicals.

The Nikkei-Dow Jones average rose 33.27 from its Saturday level of 6,837.43 to close at 6,870.70, an increase of 45.67 on its Friday closing position. Volume was 280m shares. The Tokyo SE index closed at 472.77, up 2.33 from Friday.

Major advances included Sato Construction, up Y10 to Y235, Toyo Soda Y9 to Y184, Nippon Chemical Y30 to Y309, and Mitsubishi Paper Y30 to Y249, while Blue Chips and Populars eased in the absence of fresh factors.

High-priced Electricals and Oils, which rallied on Saturday closed mixed. Sony rose Y20 to Y2,240 and Nippon Oil Y20 to Y1,730 while Teikoku Oil lost Y30 to Y1,110 and Victor Y30 to Y1,580.

Communications and Machines closed higher.

Paris

The market closed mixed in quiet trading. Electricals and Public Services were the only sectors to advance against the trend while Chemicals, Oils and Cars weakened.

Steel maker Sacilor lost FFr 1.6 to FFr 23.4 after reporting slightly larger group losses for last year.

Properties and Investments held steady, Banks and Insurances, Stores, Engineering, Metals and Printing edged lower while all other sectors tended mixed.

Germany

Share prices closed marginally firmer after easing earlier. The Commerzbank Index rose 3.40 to 723.8.

Hoesch fell back from early gains, but still closed DM 1.40 up, AEG closed DM 2 higher and Mannesmann maintained its early DM 1.51 rise.

Banks receded with Deutsche down DM 0.80 at the close, while Chemicals closed mixed, with Hoechst down DM 0.90 and BASF up DM 0.30.

VW closed down DM 1.30 in otherwise higher Automobiles and Degussa gained DM 2.80 to DM 246.00 in the wake of higher gold prices.

On the Domestic Bond market Public Authority Loans were mixed and the Bundesbank sold DM 2.2m marks net of paper after sales of DM 8.4m on Friday.

Johannesburg

Gold shares continued to rise sharply following the international gold price in fairly active trading.

NEW YORK

Indices

NEW YORK —DOW JONES

● Day's high 889.08 low 874.49

Ind. div. yield %	June 20	June 13	June 6	Year ago (approx
	6.07	6.02	6.19	5.97

STANDARD AND POORS

	June 27	June 26	June 25	June 24	June 23	June 20	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls ...	130.46	130.68	131.85	129.40	128.68	128.09	134.47 (13/2)	111.09 (27/7)	134.64 (11/1/78)	3.52 (30/6/32)
§Composite	116.00	116.19	116.72	115.14	114.51	114.86	118.44 (13/2)	98.22 (13.2)	125.85 (11/1/73)	4.40 (1/6/32

Ind. div. yield %	June 25	June 19	June 11	Year ago (approx
	4.99	5.22	5.12	5.27
Ind. P/E Ratio	7.79	7.75	7.75	7.94
Long Gov. Bond Yield	9.77	9.55	9.76	8.75

N.Y.S.E. ALL COMMON

June 27	June 26	June 25	June 24	1980 High	1980 Low
66.34	66.44	66.72	65.64	67.77 (13/2)	55.30 (27/3)

Rises and Falls	June 27	June 26	June 25
Issues Traded...	1,886	1,887	1,893
Rises	662	683	1,065
Falls	782	826	454
Unchanged	442	378	374
New Highs	27	60	70
New Lows	2	2	2

MONTREAL	June 27	June 26	June 25	June 24	1980 High	1980 Low
Industrial	380.34	379.45	377.62	(c)	423.80 (29/2)	325.21 (27/3)
Combined	351.08	350.79	349.50	(c)	378.98 (29/2)	296.90 (27/3)
TORONTO Composite	2069.46	2057.2	2055.8	2061.9	2192.6 (29/2)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Esmark	1,126,100	48⅞	−1⅛
Sony	413,200	10⅝	unch.
City Inves.	383,700	25⅞	−½
Mobil	381,600	73	−⅜
IBM	341,000	59¾	+⅛
St. Oil Ind.	333,600	59½	−1½
Benguet	332,000	13⅛	+⅞
Norton Simon	330,900	14⅛	+⅞
Pan Hand Pipe	315,100	33½	+⅜
JC Penney	278,300	25¼	−½

CANADA

Stock	June 27	June 26
Abitibi	18½	18⅞
Agnico Eagle	14¼	14⅜
Alcan Alumn	31¼	31½
Algoma Steel	32⅛	32⅛
Asbestos	35	35

BELGIUM (continued)

June 30	Price Frs.	+ or −
Petrofina	5,140	+50
Royale Belge	5,610	−70
Soc Gen Banq	2,410	+5
Soc Gen Belge	1,500	−10
Sofina	3,300	......
Solvay	2,770	+20
Traction Elect	2,500	......

HOLLAND

June 30	Price Fls.	+ or −
ACF Holding	66.5	−1.8
Ahold	62.3xd	−0.6
AKZO	23.1	......
ABN	291	−1
AMEV	82.7	−0.4
AMRO	65.3	......

AUSTRALIA

June 30	Price Aust. $	+ or −
ANZ Group	4.65	+0.05
Acrow Aust	0.80	......
Allstate Expl	1.80	+0.05
Ampol Pet	1.32	−0.05
Assoc. Pulp Pap.	2.35	......
Audimco	0.34	......
Aust Cons Ind	2.02	......
Aust Guarant	1.38	−0.02

JAPAN (continued)

June 30	Price Yen	+ or −
Kubota	362	+1
Kumagai	420	+12
Kyoto Ceramic	3,310	......
Lion	485	−12
Maeda Cons	520	+10
Makita	1030	+10
Marubeni	377	−3
Marudai	639	+6

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COMMODITIES AND AGRICULTURE

UK farmers warned on energy use

By Richard Mooney

PRINCE PHILIP warned British farmers yesterday of the dangers of using too much energy in their efforts to boost output.

Opening the Royal Show at the National Agriculture Centre in Stoneleigh in Warwickshire, he said the forecast scarcity of oil and the absence of an obvious alternative energy source for agriculture were bound to influence the cost and availability of food.

"Fertilisers, pesticides, weed-killers, agricultural and process machinery require a considerable input of energy in their manufacture and the process of farming itself is a large energy consumer," he said.

He also warned of the foolishness of developing methods to increase output while a significant proportion was being wasted because of inefficient or inadequate storage.

It was well to remember that simply to increase the volume of output was no longer the sole consideration, Prince Philip stated.

World wheat balance forecast

WORLD wheat production and consumption during the 1980-81 season starting today should be in balance, the International Wheat Council (IWC) said in a forecast of world supply and demand.

World wheat production in 1980 is forecast at 440m to 450m tonnes compared with 424m the previous season and could, therefore, approach the record 450m tonnes of 1978, it added.

Consumption will probably rise in line with past trends and could also be near 450m tonnes the council said.

World wheat stocks may still total about 100m tonnes by the end of the 1980-81 crop year. If some importing countries take the opportunity to rebuild stocks, which fell after 1979 harvest, stocks in main exporting countries could decline, it added.

The council forecasts carry-over stocks of the five main exporting countries, Argentina, Australia, Canada, EEC and the U.S., will be between 44m and 60m tonnes at the end of their crop years, against 49.6m tonnes at the end of the 1979-80 seasons.

Reuter

U.S. strike fears boost London copper values

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES rose strongly on the London Metal Exchange yesterday with cash wirebars gaining £32 to close at £870 a tonne. The rise reflected reports of apparent deadlock in the negotiations seeking to avoid a strike when U.S. copper workers' labour contracts expire.

Talks between U.S. copper companies and unions representing some 40,000 workers were said to have made little progress over the weekend in settling the terms of new three-year contracts.

However it was noted that negotiations were likely to go on right up until the deadline of midnight on June 30 when the contracts officially expire. Even then the unions might recommend delaying strike action if a settlement appears likely to be reached.

Traders still feel that there are sufficient supplies of copper available, especially in view of poor demand, to last for some months even if there is a stoppage in the U.S.

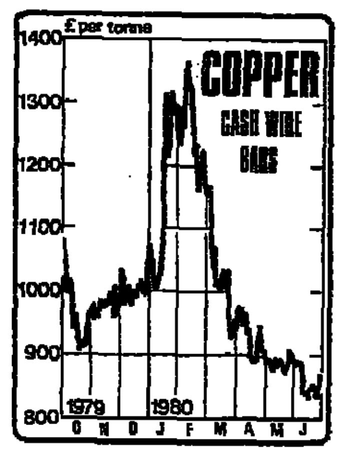
The International Wrought Copper Council, which represents consumers, in its annual report forecast a surplus this year of between 100,000 and 200,000 tonnes, and some traders feel this is a conservative prediction in view of the sharp drop in consumption during the past few months.

Nevertheless any prolonged stoppage in the U.S. could transform the present supply-demand situation, and the short-term impact may well change market sentiment. Certainly it was claimed yesterday that much of the price rise came from speculators covering previous sales.

The upward trend was also helped by the rise in gold, offsetting the increase in the value of sterling which normally depresses London prices.

Aiding the first undertone in the market too was a fall in LME warehouse stocks of copper last week. The stocks decline of 3,450 tonnes reduced total holdings to 110,000 tonnes.

Although warehouse stocks of tin fell by 300 to 1,815 tonnes, this had already been discounted in the market and prices were more influenced by the fall in Penang over the weekend.



Other metals were boosted by the rises in copper and gold. LME stock changes: Lead down 50 to 25,525 tonnes; nickel down 198 to 6,114 tonnes; aluminium up 625 to 17,850 tonnes; zinc up 1,775 to 58,800 tonnes. LME silver holding rose by 270,000 to a total of 27,960,000 ounces.

● Asarco raised its U.S. domestic copper selling price by 4 cents to 94 cents a lb.

Australia to fight EEC over sheepmeat regime

CANBERRA — The Australian Government will not stand by and watch EEC proposals jeopardise another Australian rural export: sheepmeat.

Doug Anthony, trade and resources minister, said the proposed EEC sheepmeat regime is likely to disrupt both Australian trade and the world market.

"We have put up with a lot from the EEC in recent times. It cannot expect us to continue to tolerate actions which threaten our sheepmeat trade with Europe and beyond," he said.

Mr. Anthony continued: "The EEC had better appreciate that if, for their own internal reasons, their policies are operated in ways adverse to us, then Australians will expect the government's response to be necessarily adverse to EEC interests."

Mr. Anthony noted that cars, aircraft and other manufactured goods exported by the EEC are to the EEC no different than sugar, dairy products, grains and meat are to Australia.

Mr. Anthony said Australia and New Zealand had long had an assurance of access for their sheepmeat to the EEC market at a set tariff. However, the EEC move to introduce a Common Agricultural Policy regime on sheepmeat is likely to cut consumption, stimulate production, lead to seasonal surpluses and consequently disrupt the two countries' trade and the world market generally, he added.

The Australian government is now giving full consideration to the sheepmeat proposals and their ramifications, he said.

He said the EEC has imposed increasingly restrictive barriers to trade. In addition, its agricultural policies have caused Australia many problems with the consequent restriction on farm export opportunities.

"Not only is it extremely difficult for Australia or other third country suppliers to sell farm produce in Europe, but subsidised European produce is dumped in our export markets," he added.

Patricia Newby, our correspondent in Canberra writes: The Australian Government has reversed a decision made early in June to block export permits for breeding sheep bound for the Soviet Union.

Early last month the Government blocked export permits for about 200 Merino rams and Corriedales as part of Australia's retaliation against the Soviet Union's invasion of Afghanistan.

However, under continued pressure from farmers, breeding sheep have again been added to the export list along with virtually all other commodities Australia sells to the Soviet Union, including record quantities of wheat.

Australia currently has an export quota of 300 Merino rams a year.

Wool auction sales rise

REVENUE generated from Australian wool auctions rose 17 per cent in 1979-80 compared with the previous year bringing the total for the year ended June 30 to A$1.2m (£600,000).

The figures, issued by the National Council of Wool Selling Brokers covers wool sold at auction by brokers—an estimated 80 per cent of total wool sales for the year just ended.

The rise occurred in spite of a two-month strike by wool storemen and packers in eastern Australia which halted wool auctions at most centres.

Reuter

India to boost jute exports

NEW DELHI — India will export raw jute to liquidate stocks of about 1.26m bales accumulated by the Jute Corporation of India (JCI), according to India's commerce minister Pranab Mukherjee.

Mr. Mukherjee said India had last year planned to export up to 200,000 bales of inferior and middle varieties of jute but that the government had failed to take a decision in spite of the gradual stock build up.

Mr. Mukherjee said the export strategy would ensure domestic prices of jute did not crash in the wake of an anticipated bumper crop in the July 1979/June 1980 season.

He said JCI had already incurred a loss of Rs 130m resulting from the accumulation of stocks.

In Bangkok, Thai kenaf exports fell to 19,165 tonnes in the first half of 1980 from 47,976 tonnes in the same 1979 period, the Thai board of trade said.

Its weekly bulletin said Iran, Ethiopia and the U.S. were the main buyers during the period, taking 5,319 tonnes, 4,899 and 3,513 tonnes respectively.

Other buyers are the Soviet Union 2,682 tonnes, Mozambique 908, Japan, 349, Ivory Coast 299, Spain 250, West Germany 25, Belgium 20 and others 901 tonnes.

First quarter 1980 jute imports were 11,516 tonnes

Reuter

UNCTAD COMMON

A shot i world pric

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BY BRIJ KHINL

FALTERING negotiations for separate International Commodity Agreements (ICA's) to stabilise world commodity prices will get a new lease of life because of last weekend's agreement to create a $750m Common Fund to finance buffer stock arrangements and pay for export promotion schemes.

The UNCTAD fund falls far short of the $6bn sought by commodity exporting countries when talks for the fund first opened, four years ago. But it represents an unprecedented step towards recognising that the world's richer nations cannot indefinitely consume most of the world's main commodities without helping to raise living standards of poverty stricken producers.

The fund's creation was an important plank of Third World demands for a new international economic order. In spite of their disappointment at the compromises made to obtain the fund, developing countries can now look forward to conclusion of new ICA's in the knowledge that the means is now available to finance price stabilisation operations.

That the fund has been born in spite of an extraordinary time of recession and unemployment among richer nations is a feather in the cap of the United Nations Conference on Trade and Development. UNCTAD first floated the idea in Nairobi in 1976, as part of an integrated programme of commodities aimed at concluding ICA's with buffer stock provisions for 18 commodities.

The fund will become useful as a means of commodity price stabilisation, however, only when ICA's are concluded for the most important internationally traded commodities.

Only three ICAS exist so far—for sugar, tin and rubber. The agreements for tin and sugar contain provisions for collecting buffer stocks but do not actually have anything in storage, nor are they linked to the Common Fund. But it is expected that their texts will be revised to enable them to use Common Fund facilities to borrow money.

The agreement on rubber was concluded last year and includes provisions for collection of buffer stocks tot[...] tonnes supplemen[...] tingency stock of 1[...] The agreement shoul[...] force provisionally on[...] this year if it is rati[...] sufficient number of[...] by September 30. The[...] agreement will have [...] the fund.

Another ICO coverin[...] has buffer stock provi[...] could be dismantled lat[...] year because of a disp[...] tween producers and con[...] about the price levels to be stabilised through buffer stock operations. The cocoa accord would have been eligible for aid from the fund, but already has its own funds of over $230m built up over the years.

UNCTAD Secretary General Gamani Corea is currently holding consultations with the main cocoa producers and consumers to find a means of renewing the cocoa agreement. He is to travel to the main producer countries later this year and make his recommendations to the existing agreements decision taking international cocoa council by September. If Mr. Corea fails in his mission, the cocoa agreement will be dismantled.

Extensive preparatory work has already been done in negotiations under UNCTAD auspices for ICAS for jute, sisal, tropical timber, tea, cotton and copper. But only tea, copper and cotton agreements are likely to include buffer stock pro[...]

Su[...] Fund contrib[...] butions will b[...] the countries' pa[...] trade.

In addition to [...] countries will al[...] missory notes a[...] The oil expo[...] have promised t[...] $1m contributio[...] the world's 30 p[...] The fund wi[...] by simple, two-t[...] quarters major[...] the issue invol[...] per cent of the [...] by developing c[...] cent by industria[...] 8 per cent by So[...] and 3 per cent b[...] Amsterdam, London have be[...] possible headq[...] Fund. But the f[...] be taken by council when operation.

The Fund wil[...] mediary betwe[...] world money [...] borrow specific[...] an ICA whe[...] arises, and wil[...] use governmen[...] vided to secur[...] the needs of [...]

COCOA prices sank t[...] lowest levels for four yea[...] the London futures ma[...] yesterday our commodities staff writes. The Septembe[...] position closed £29 down at £1,036.5 a tonne.

Traders said the mark[...] continued to be depressed [...] selling from producing cou[...] tries, especially in Wes[...] Africa, who are now faced with disposing of large mid-season crops that have benefited from favourable weather.

The fundamental weakness in the market has encouraged renewed speculative selling. Speculators, according to one trader, are now anticipating prices reaching "three-figures"—i.e. falling below £1,000.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply higher on the London Metal Exchange, reflecting the strong rise in prices in inter-office trading late on Friday evening which followed the surge in the bullion price and sizeable short-covering on Comex. Forward metal opened yesterday around the £887 level and held steady despite trade selling, which was well taken, and the initial rise in sterling. On the morning kerb buying in anticipation of a further rise on Comex lifted three months to £891. The subsequent strong opening in U.S. markets encouraged further demand in London and forward metal moved through the £900 level to touch the day's high of £904 prior to closing the late kerb at £901. Turnover: 22,325 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	859-.5	+22	869.5-70.5	+32
3 months	888.5-9	+29.5	898.5-9	+33
Settlem't	859.5	+22.5	—	......
Cathodes				
Cash			843-6	+31.5
3 months	835-4	+26	874-7	+34
Settlem't	864.5	+27.5	—	......
U.S. Prod.	854	+26	*85-90	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £860, 59.5, three months £886, 87, 88, 87, 86, 87, 88, 89, 88.5, 88. Cathodes, three months £865. Kerb: Wirebars, three months £889, 89.5, 90, 89, 90, 91, 90. Afternoon: Wirebars, three months £893, 95, 94, 95, 96, 95, 94.5, 93.5, 94.5, 96, 97, 97.5, 98, 99, 98.5. Kerb: Wirebars, three months £897, 96, 96.5, 97, 97.5, 98, 98.5, 99, 99.5, 900, 02, 03, 04, 02.

TIN—Lost ground owing to the sharp decline at Penang over the weekend which prompted arbitrage selling, and the rise in sterling against the dollar. After opening at £7,340 gradually fell away on hedge selling and lack of interest to close the afternoon kerb at £7,275 with the backwardation narrowing from £90 to around £40 despite the sizeable drop in warehouse stocks. Turnover: 775 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7340-50	+125	7320-30	—90
3 months	7300-15	—95	7290-305	—77.5
Settlem't	7350	—150	—	......
Standard				
Cash	7340-50	—12.5	7320-30	—90
3 months	7280-90	—102	7273-80	—90
Settlem't	7350	—150	—	......
Straits E.	$S2150	—54		......
New York	—	......		......

Morning: Standard, cash £7,370, 60, 50, 40, three months £7,310, 7,300, 7,290, 85. Kerb: Standard, three months £7,300. Afternoon: Standard, three months £7,275, 80. Kerb: Standard, three months £7,280.

LEAD—Marked ahead in the wake of copper which saw forward metal rise from £340 on the pre-market to end [illegible]

[illegible]

I.G. Index — Three month Zinc 313.5-317.5

Our clients speculate, free of tax, in very small to very large amounts, on:—

1. London Traded commodities, including GOLD.
2. The STERLING/DOLLAR exchange rate.

CORAL INDEX: Close 463-468 (+1)

COCOA

Keeping in line with New York futures today declined sharply and trading limit down touched new life of contract lows before a £5 rally at the close. Producers declined to participate initially but consumers were again buying cocoa beans and products on a scale down basis, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
July	1009-1011	—41.0	1035-1006
Sep	1036-1037	—29.5	1050-1030
Dec	1080-1082	—26.5	1093-1076
March	1122-1125	—16.0	1135-1119
May	1142-1144	—24.5	1154-1141
July	1168-1170	—24.0	1177-1160
Sept	1187-1190	—28.0	1190-1185

Sales: 5,179 (4,036) lots of 10 tonnes.

COFFEE

Robustas opened £25-£30 lower as renewed selling entered the market. With no sustained support values continued to drop and at lunch were £40-£50 down from Friday. Evidence of group support was seen towards the close but by this time new contract lows had been established and although prices rallied some £30 no impact was made on an exceptionally busy day which saw values over £75 down, reports Drexel Burnham Lambert.

COFFEE	yesterday's Close £ per tonne	+ or —	Business Done
July	1403-04	—118.5	1490-1360
Sept	1472-73	—86.5	1550-1455
Nov	1501-04	—75.0	1570-1480
January	1508-10	—76.0	1575-1490
March	1490-96	—94.5	1546-1484
May	1460-25	—90.0	1490
July	1468-1575	—102.5	—

Sales: 11,332 (11,313) lots of 5 tonnes.

ICA indicator prices for June 27 (U.S. cents per pound): Other Mild Arabicas 176.67 (176.00): Robustas ICA 1976 164.00 (same); ICA 1968 164.25 (same): Unwashed Arabicas 208.00 (207.50); Comp. daily ICA 1968 185.46 (185.00).

GRAINS

LONDON GRAIN FUTURES—Grains opened unchanged in wheat and lower [illegible]

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

COTTON

[illegible]

WOOL FUTURES

[illegible]

TEA AUCTION

[illegible]

CTC's often 2p-3p dearer. Orthodox teas from Mozambique showed little change. Ceylons met with improved demand at generally dearer rates. Quotations: Quality 149p per kilo (same); Medium 101p (103p); Plain 70p (71p).

PRICE CHANGES

In tonnes unless otherwise stated.

	June 30 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1680/1700	....	$1680/20
Copper			
Cash w'bar	£870	+32	£886.5
3 mths	£898.75	+33	£912.5
Cash Cathode	£844.5	+31.5	£866.5
3 mths	£875.5	+34.5	£891.5
Gold troy oz	$651.5	+14	$558.5
Lead Cash	£337.5	+9.5	£310.5
3 mths	£347.5	+9.5	£315.5
Nickel	£3,248.55	....	£3,336.5
Freemkt(cif)lb	275/300c	....	285/295c
Platin'mtr'y oz	£182.50	....	£188/183
Free mkt	£285.55	+5.15	£260.70
Quicksilver†	$385/395	+5	$390/400
Silver troy oz	709.40p	+18.3	621.95p
3 mths	738.40p	+17.10	645.45p
Tin Cash	£7,325	—90	£7,475
3 mths	£7,275	—90	£7,320
Tungsten 22.04 lb	$139.82	....	$142.49
Wolfrm 22.04 lbs	$143/146	....	$138/145
Zinc cash	£296	+11.5	£296
3 months	£308.5	+11.25	£307.5
Producers	$780	....	$780/825
Oils			
Coconut (Phil)	$532.50s		$640
Groundnut	‡		‡
Linseed Crude	£406		£404
Palm Malayan	$540w		$572.50
Seeds			
Copra Philip	$430		$430
Soyabean(U.S.)	$272.80z	+0.90	$265.80
Grains			
Barley Futures	£95.85	—0.10	£95.50
Maize			
French No3AM	‡		‡
Wheat			
No.1 Red Spg.	‡		‡
No 2 HardWint	£94.50x		‡
Eng. Milling	‡		‡
Other commodities			
Cocoa ship't	£1,092	—30	£1,122
Future Sept.	£1,036.5	—29.5	£1,071.5
CoffeeF't Sept.	£1,472.5	—86.5	£1,788.5
Cotton A Index	83.50c	+0.50	86.80c
Rubber (kilo)	59.50p	....	57.25p
Sugar (Raw)	£320	+15	£330
Woolt'ps 64s kl.	290p kilo	....	295p kilo

u July-Aug. s June-July. w Aug. x July. z Indicator. § Buyer. ‡ Per 276-lb flask.

POTATOES

LONDON POTATO FUTURES — After opening 30p lower, the market found commission house and trade support on November, and values rose to around unchanged, with switches keeping February a little down, reports Coley and Harper. Closing prices: Nov. 46.10 unchanged (high 46.20, low 45.70); Feb. 52.80 —20 (high 52.90, low 52.50); April 60.10 +20 (high 60.10, low 59.90). Turnover: 64 lots of 40 tonnes.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on June 30. GB cattle 80.47p per kg lw (−0.84). UK sheep 151.00p per kg est dcw (−0.12). GB pigs 66.56p per kg lw (+0.10)

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 64.75 to 69.0; Ulster hindquarters 79.0 to 84.0, forequarters 41.0 to 44.0; Eire hindquarters [illegible] to 82.0, forequarters 40.0 to 42[illegible] Veal: Dutch hinds and ends 97[illegible] to 100. Lamb: English small [illegible] to 7[illegible] medium 64.0 to 69.0, [illegible] 60.0 to 67.0. Imported frozen: [illegible] 59.5 to 61.0, pm 57.0 to 58.5. [illegible]k: English under 100 lb 40.0 to 49.[illegible] 100-120 lb 40.0 to 47.5, 120-160 lb 38.[illegible] to 45.5.

COVENT GARDEN—Prices [illegible] in sterling per package except where otherwise stated: Imported Produce: Oranges—Jaffa: Valencia Lates [illegible].80-4.00; Moroccan: 54/113s 3.40-4.30; Cyprus: Valencia Lates 3.60-4.50; Arizona: Valencia Lates 72/113s 4.20-5.[illegible]. Outspan: Navels 3.80-4.65. Lemons—Italian: 100/150s 4.50-5.50; Spania: Trays 25/45s 1.80-2.00, boxes 4.40-5.50; S. African: 80s 6.20. Grapefruit—Outspan: 4.00-4.95; Texas: Pink flesh 7.50-9.00. Apples—New Zealand: Sturmer Pippins 9.50-9.60, Granny Smith 9.60; Tasmanian: Sturmer Pippins 9.40-9.50, Crofton 11.00, King Cole 11.00-11.50; S. African: Golden Delicious 9.60-10.00, Granny Smith 9.30-9.60; Dutch: 22-lb Golden Delicious 2.50; French: 40-lb boxes, Golden Delicious 138/198s 6.20-7.80, 20-lb 3.40-3.60; Italian: Jonathans/Romes 40-lb 6.50-7.00. Pe[illegible] African: [illegible] 35-lb Jos[illegible] Josephine [illegible] Red 2.30-3.50. Gaviota 3.50-4[illegible] Apricots—Spa[illegible] —Per pound 0.35-0.40. [illegible]fornian: Israeli: Card[illegible]

AMERICAN MARKETS

NEW YORK, June 30

A BULLISH planted acreage report resulted in a cotton market trading limit up and in a sharp rally in the soyabeans. The strength in soyabeans pulled maize into a fractional gain and wheat into a mixed close. The livestock complex finished mixed in primarily local trading. Copper showed minor gains as trade buying picked up momentum ahead of the Tuesday strike deadline. Coffee finished limit down as the anticipated frost damage did not affect the growing areas. Cocoa dropped further as Ivory Coast selling became known. Sugar traded over an extremely wide range but closed mixed. Precious metals rallied several times reacting to reports of a possible tax cut and a greater than expected U.S. balance of payments deficit but only managed to finish mixed, reported Heinold.

Copper—July 91.30-91.70 (90.50), Aug. 92.10 (91.25), Sept. 92.80-93.00, Dec. 94.40-94.80, Jan. 95.20, March 97.10-97.20, May 97.80, July 99.00, Sept. 100.20, Dec. 102.00, Jan. 102.55, March 103.65, May 104.75. Sales: 6,800.

Silver—July 1650.0 (1673.0), Aug 1670.0-1680.0 (1687.0), Sept. 1690.5, Oct. 1706.0, Dec. 1737.0, Feb. 1760.0, April 1799.0, June 1830.0, Aug. 1861.0, Oct 1892.0, Dec. 1923.0, Feb. 1954.0, April 1986.0, June 2018.0, Aug. 2050.0, Oct. 2082.0.

Potatoes (round whites)—Nov. 77.5-77.6 (77.7). March 98.0-98.5 (97.4). April —. Sales: 1,002.

Sugar—No. 11 July 32.25 (32.90), Sept. 34.85-35.00 (35.03), Oct. 36.10-36.25, Jan. 37.35, March 38.25-38.40, May 37.50-37.70, July 38.60-38.70, Sept. 35.68-35.70, Oct. 35.40-35.50.

Tin—774.00-785.00 asked (774.00-796.00).

CHICAGO, June 30.

Lard—Chicago loose 18.25 (same). New York prime steam 18.25.

Live Cattle—Aug. 68.65-68.75 (68.75), Oct. 66.97-66.90 (66.92), Dec. 67.55-67.70, Jan. 68.30, Feb. 68.65-68.75, April 69.40-69.30.

Chicago Imm[...] (655.5), Sept. 6[...] 665.7, Dec. 67[...] March 700.6-695[...] 719.8

¶Silver—July [...] Aug 1675.5 (1[...] 1700.0, Dec. 174[...] 1785.0, May 181[...] 1876.5, Dec. 1924, 1970.5, May 200[...] Handy and Harma[...] (1620.00).

Live Hogs—July [...] Aug. 40.30-40.30 [...] 39.55, Dec. 43.20-43[...] 44.70, June 46.45, J[...] 48.00

‡‡Maize—July 28[...] 290½-290¾ (288½), D[...] 310¾-310, May 318.

Pork Bellies—July [...] Aug. 38.20-38.05 ([...] 52.90, March 53.00, 54.10, Aug 53.60.

†Soyabeans—July [...] Aug. 679-680 (667¼), Nov. 703-705, Jan. [...] 738, May 750, July 7[...]

||Soyabean Meal—[...] (177.2), Aug. 182.8-182[...] 185.7, Oct. 188.5-188[...] 193.8, Jan. 196.5-190.0 201.5, May 205.0, July [...]

Soyabean Oil — J[...] (23.10), Aug 24.20-24.1[...] 24.30-24.35, Oct. 24.55, D[...] Jan. 25.00-25.05, Marc[...] 25.65-25.60, July 25.90, A[...]

†Wheat—July 420¾ Sept. 433-434 (434½), March 464½, May 470.

WINNIPEG, June 30. closed today in observa[...] Day.

All cents per pound unless otherwise stated [...] ounce ¶ Cents per [...] ‡‡ Cents per 56-lb bus[...] per 60-lb bushel. || $Can [...] (2,000 lb). § $Can. pe[...] §§ $ per 1,000 sq ft. ‡ Ce[...]

EUROPEAN MARKETS

ROTTERDAM, June 30.

Wheat—U.S. No Two Dark Hard Winter 13.5 per cent July $197. U.S. No Two Red Winter July $187, Aug. $188, Sept. $190. U.S. No Two Northern Spring 14 per cent July $206, Aug. $207, Sept. $208.50, Oct. $211, Nov. $215. Rest unquoted.

Maize—Spot $145, June $137.25, July $138, Aug. $141, Sept. $142.50, Oct./Dec $145.50, Jan./Mar. $153.60, April/June $160.

Soyabeans—U.S. Two Yellow Gulfports afl $260.50, July $268, Aug. $271, Sept. $275.25, Oct. $279.50, Nov. $279.75, Dec. $285.75, Jan. $289.50, Feb. $295.50, Mar. $298, April $300, Argentine afl $260.50, June Aug. $266.

Soyameal—44 per cent p[...] afl $217, June $217, July $[...] $225, Sept. $228, Oct. $235, $245. Brazil Pellets afl $220, Aug. $232, Sept. $235, Oct. Nov./Mar. $255.

PARIS, Ju[...]

Cocoa (FFr per 100 kilos)—J[...] Sept. 975/985, Dec. 1005/102[...] 1045/1050, May 1060/1085, Jul[...] 1095. Sales at call.

Sugar (FFr per 100 kilos)—Aug. 3305, Oct. 3430/3435, No[...] 3410, 3510/3520, Mar. 3600/36[...] May July 3630, Aug 3640. Sales at c[...]

INDICES

FINANCIAL TIMES

June 27	Jun 26	Mnth ago	Year ago
266.31	267.26	268.23	297.75

(Base: July 1, 1952=100)

MOODY'S

Jun 27	June 26	M'nth ago	Year ago
1168.5	1171.7	1118.7	1000.1

(December 31, 1931=100)

DOW JONES

Dow Jones	June 27	June 26	Month ago	Year ago
Spot	426.47	427.74	422.64	42[illegible]
F'tur's	440.30	440.74	448.54	43[illegible]

(Average 1924-25-26=100)

REUTERS

June 30	June 27	M'nth ago	Year ago
1675.2	1654.7	1694.1	[illegible]

(Base: September 18, [illegible])

COMPANY NOTICES

LONDON STOCK EXCHANGE

...satisfactorily but Gilts fall again ...oration issues lively and Golds higher

...market con... ...tal number of ...ted rising to ...ve attention was ...ds Cons. Gold ... attracted 521 ... Lonrho were also ...51.

...industrials went ... despite the ...background, but ...the effects ...ended market. ...began to rally ...afternoon, lead... ...closed and main... ...tone for the ...session. The ...was measured ...of 1.7 in the ...a net fall of ...at noon and a ...of 1.3 at 464.8 ...generally considered ...satisfactory per-...

...of further ...ts failed to ...bought Gilt-... ...newed selling ...brought fresh ...to ½ at both ...for before quota-... and sometimes ...ound ½ lower on ...ling's firmness ...ession on senti-... ...30-paid long tap ...13 per cent 2000. ...iscount before ...iscount, or 29½. ...day of ... ...iveliness of the

...ces firm

...investment buying was ...for Insurances where ...responded with a gain of ... General Accident ...uardian Royal Exchange ...6 apiece to 286p and 296p ... while Eagle Star ...5 to 207p.

...features of note emerged ...drinks sector. Scottish Newcastle added the turn to ...ahead of Thursday's pre... results, but the ...workers' dispute at its ...plant continued to over... Bass, a further 2 down ...224p. Away from the leaders, Press comment helped Davenport add 2 to 119p, while support was seen for Wolverhampton and Dudley, 4 up at 185p xc. Among Wines and Spirits, Amalgamated Distilled Products rose 2 to 42p following the merger of its American subsidiary with Medley Distilling of Louisville.

The Building sector displayed irregular movements after a rather thin trade. Among the leaders, **Blue Circle** firmed 4 to 350p awaiting news from the annual general meeting. Elsewhere, **Derek Crouch** met support and improved 4 to 138p, but **Tilbury Contracting** shed 5 to 190p and **Marchwiel** cheapened 4 to 88p. **Richards and Wallington** added 4 to 53p reflecting demand which developed late on Friday, but **Barratt Developments** shed 4 to 111p on small selling. **SGB**, half-yearly results today, eased a penny to 160p. In Timbers, **Phoenix** rose 5 to 115p as speculative interest revived.

With interest nulified by industrial unrest within the group, **ICI** slipped to 378p before regaining last Friday's closing level of 382p on buying in the after hours' dealings. Among other Chemicals, **British Benzol** dropped briefly to 28p, prior to closing 8 down at 30p on the lower preliminary profits and the company's prediction of a substantial first-half loss.

Stores sluggish

Business among leading Stores was slow to develop, but the undertone was firm and most ended with modest gains. Secondary issues were featured by departmental stores group **Grant Bros.**, 8 up at 118p in a restricted market. Sporadic support was also noted for **Bremner**, 60p, and **Foster Bros.**, 88p, both 3 firmer.

Leading Electricals ended the day on a quietly firm note. **Plessey** continued to benefit from last week's good preliminary figures and edged up 3 more to 184p, while **GEC**, annual results due on Thursday, closed a few pence harder at 406p. **Thorn EMI** rallied 8 to 296p, following the offer for restructure the medical scanner deal with General Electric of the U.S. Elsewhere, **Ferranti** were temporarily suspended at 595p, up 15, pending an announcement. Renewed support lifted *Telephone Rentals* 6 to 239p and **Pifco** ½ to 142p with the "A" a like amount up at 140p. **Pethow** eased 2 to 36p on the annual pre-tax loss and passing of the final dividend. Other dull spots included **Fidelity Radio**, down 3 at a 1980 low of 32p.

Interest in the Engineering leaders was at a low ebb, but **Tubes** remained unsettled by news of short-time working at its domestic appliance division and gave up 10 more to 256p. Secondary issues closed with occasional mixed movements. **Vosper** firmed 5 to 175p and **Adwest** 4 to 156p, while favourable Press mention lifted **Benjamin Priest** 3 to 67p. On the other hand, **B. Elliott** gave up 5 more at 248p.

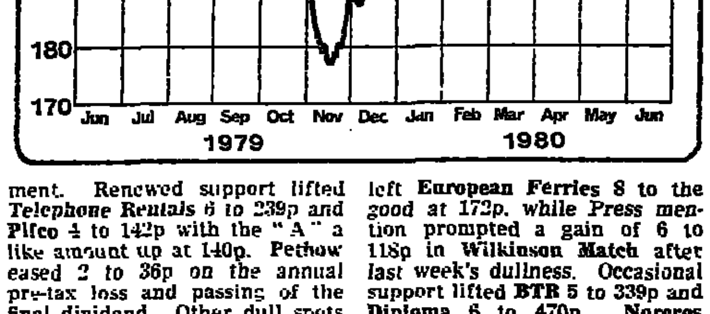
Louis C. Edwards' preliminary profits were deemed disappointing and the price shed 5 to 68p. Elsewhere in Foods, **Kwik Save** came in for support and added 4 to 112p, while **Fitch Lovell** improved a couple of pence to 76p, the latter following a favourable Press mention. Fresh support in a thin market lifted **Nichols (Vimto)** 35 more to 440p.

Weekend Press comment stimulated small demand for **Comfort Hotels** and **Queens Moat Houses**, both a penny firmer at 24½p and 35p respectively. **Norfolk Capital**, however, shed 2 to 40p on the poor half-yearly results.

Johnson Matthey higher

Still reflecting bid hopes, **Johnson Matthey** encountered fresh support and touched 380p xd before settling at 376p xd for a rise of 21. Investment demand left **European Ferries** 8 to the good at 172p, while Press mention prompted a gain of 6 to 118p in **Wilkinson Match** after last week's dullness. Occasional support lifted **BTR** 5 to 339p and **Diploma** 6 to 470p. **Norcros** firmed 3 to 66p following the annual results, but **Grovebell** eased 2 to 13p on the poor preliminary figures and the passing of the final dividend. **Morgan Crucible** met sporadic selling and gave up 5 to 150p. Other dull spots included **R. H. Cole**, 86p, **Associated Communications**, 91p, and **Cawoods**, 218p, all 4 lower.

Motor Components plotted an irregular course in quiet trading. **Flight Refuelling** attracted fresh speculative interest and rose 8 to 224p ex-the-scrip issue. **Airflow Streamlines** added a couple of pence to 50p, but recent redundancies in the industry unsettled **Dowty**, 3 cheaper at 202p. Distributors were also subdued with **Lex Service** easing 1½ more to 72½p. **BSG**, on the other hand, firmed a penny to 16p following last Friday's annual meeting. **Lotus** turned dull in front of preliminary results, due shortly, and closed 2 off at 17p.



Consideration of the company's North Sea oil interests again buoyed **Associated Newspapers**, 10 up at 332p; **Daily Mail A** added 5 to 520p in sympathy. Reports of a pending major acquisition lifted **Allied International Designers** 4 to 31p, but **Saatchi and Saatchi** encountered scattered selling and shed 8 at 165p. **John Waddington** eased 4 more to 104p ahead of annual results expected later this month.

Certain Properties made headway despite the less optimistic short-term outlook for interest rates. Business in **Land Securities** increased as the session wore on and the close was 6 higher at 327p, while **MEPC** hardened 3 to 213p. Elsewhere, **Daejan** put on 10 to 154p on persistent small buying, while **Allnatt (London)** gained 6 to 216p, after 220p, on speculative interest. **UK Property** firmed 3 to 37p in response to the higher preliminary profits and property revaluation, while **GRA**, still responding to a recent Press mention, added a penny more to 21½p.

Oils mixed

Buying interest in the Oil sector centred chiefly on secondary exploration issues, with the leaders trending to lower levels. **British Petroleum** finished 8 off at 366p, most of the reaction taking place in the late dealings. **Lasmo** touched 810p in the early trading, but reacted to close 4 cheaper on balance at 788p. In contrast, *Sceptre*, *565p*, *and* **Basic Resources**, 650p, advanced 45 and 40 respectively, while **Aran** were *also outstanding at 490p, up 20.* **Gas and Oil Acreage** rose 25 to 455p, while renewed support *lifted* **Candecca** 8 to 230p. **Ranger** advanced £1½ to £15⅞.

Hunting Gibson, up 15 at 110p in response to Press mention, provided the only worthwhile movement in the Shipping sector.

A dull market since Imperial placed its remaining 4.1m shares in the company, **Bats** rallied 5 to 258p.

The higher bullion price resulted in a firmer trend among South African industrials. **Tiger Oats** rose 20 to 620p, while **Barlow Rand**, 405p, and **Abercom**, 125p, were both marked up 10.

Golds below best

The volatility of the bullion price—finally $14 an ounce up at $651.50, after $662.50 at the morning fix, and another hectic session in Australian mining and oil and gas issues, provided a great deal of excitement in mining markets.

South African Golds surged ahead initially, reflecting strong gains in U.S. markets on Friday night and heavy Continental and Johannesburg buying at the outset.

However, the later downturn in the bullion price encouraged widespread profit-taking and prices closed well below the day's best.

The Gold Mines index, calculated to allow for many of the constituents going ex the June dividends, gained 15.4 to 365.1, but in ex-dividend form the index was 5.8 up at 355.5, the latter reading being the highest since early March.

Financials mirrored the performance of Golds. **Anglo American** advanced 15 to 610p ahead of the annual report, while **General Mining** gained 40 to 925p and **Minorco** 23 to 350p, the last-named following weekend Press mention.

In the London-based Financials, **Gold Fields** touched a 1980 high of 538p prior to closing a net 13 up at 535p. **Rio Tinto-Zinc** put on 5 to 428p, reflecting the rally in copper prices.

Selection Trust eased a ½ to £11. Renewed bid rumours and favourable Press comment lifted **Tanks** 5½ to 327½p ex dividend.

Australians raced ahead led by the **Strata/Haoma/North West Mining** group and the gold issues. **Strata** jumped 16 to 100p, after 106p, on news of increased gas flows from its Perth Basin well, while **Haoma**, which holds 16.8 per cent of Strata, advanced 20 to a peak 134p and **North West Mining**, with 25 per cent of Strata, 17 to 120p, after a record 122p.

In Golds, GMK rose 18 to 452p, **Poseidon** 11 to 218p, after 226p, **Valiant** 10 to 118p and **Hill 50 Gold** 18 to 54p.

FINANCIAL TIMES STOCK INDICES

	June 30	June 27	June 26	June 25	June 24	June 23	A year ago
Government Secs.	69.12	69.33	69.47	69.78	69.65	70.06	72.88
Fixed Interest	70.70	70.84	70.84	70.88	70.90	70.84	73.36
Industrial	464.8	463.5	465.7	465.9	462.7	469.8	475.1
Gold Mines	†355.5	349.7	346.9	343.6	334.5	319.7	161.9
Ord. Div. Yield	7.72	7.73	7.65	7.68	7.75	7.66	5.93
Earnings, Yld. % (full)	18.65	18.68	18.42	18.49	18.65	18.41	16.53
P/E Ratio (net) (*)	6.52	6.51	6.61	6.58	6.53	6.61	7.79
Total bargains	22,506	23,816	21,899	20,268	19,891	22,699	—
Equity turnover £m.	—	164.77	164.34	115.67	101.26	128.56	81.09
Equity bargains total	—	19,101	18,526	15,555	15,394	16,402	12,127

10 am 465.2. 11 am 463.6. Noon 462.7. 1 pm 463.6.
2 pm 464.3. 3 pm 464 5.
Latest Index 01-246 8026.
*Nil=6.10.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.
†Cum. Div. 365.1.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	70.53 (20/6)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.90 (24/6)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	478.8 (15/2)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	577.9 (29/2)	265.5 (18/6)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 30	June 27
—Daily		
Gilt Edged	113.0	117.1
Industrials	127.4	126.2
Speculative	57.0	40.5
Totals	89.8	89.4
5-day Av'ge.		
Gilt Edged	120.4	129.2
Industrials	125.1	124.7
Speculative	49.1	49.3
Totals	88.7	89.7

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (109)

BRITISH FUNDS (3)
BANKS (6)
BEERS (2)
BUILDINGS (2)
CHEMICALS (1)
DRAPERY AND STORES (2)
ELECTRICALS (4)
ENGINEERING (2)
FOODS (1)
INDUSTRIALS (15)
MOTORS (2)
NEWSPAPERS (1)
PROPERTY (5)
SHIPPING (2)
SHOES (1)
TEXTILES (28)
OIL AND GAS (9)
OVERSEAS TRADERS (2)
TEAS (1)
MINES (20)

NEW LOWS (31)

BRITISH FUNDS (2)
Exch. 12½pc 1985 (£40 pd.) Treas. 13pc 2000 (£38 pd.)
BANKS (1)
Corinthian
BEERS (1)
Irish Distillers
BUILDINGS (1)
Streeters
CHEMICALS (2)
British Benzol Morley (R. H.)
ELECTRICALS (3)
BSR Fidelity Radio Mainline Elect. 12pc Ptg. Pref.
ENGINEERING (2)
Cronite Smith Whitworth
INDUSTRIALS (9)
Black (P.) Braby Leslie Caravans Intl. Denbyware Durapipe Grovebell Macpherson (D.) Nu-Swift Stocklake
MOTORS (3)
Assoc. Eng. Woodhead (J.) Gates (F. G.)
NEWSPAPERS (1)
Intl. Thomson
PAPER (2)
Clay (R.) Waddington (J.)
SHOES (1)
Scott (D.)
TEXTILES (2)
Caird (Dundee) Foster (John)
TRUSTS (1)
Ex. Land

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	360	24	1	46	11	62	—	370p
BP	390	9	15	26	1	38	—	"
Com. Union	130	18	—	24	1	25	—	146p
Com. Union	140	9	—	16	20	21	—	"
Com. Union	160	1	—	7½	35	11	6	"
Cons. Gold	420	120	1	—	—	—	—	535p
Cons. Gold	460	80	10	110	—	120	—	"
Cons. Gold	500	40	99	72	121	93	2	"
Cons. Gold	550	13½	217	40	70	65	1	"
Courtaulds	70	10	33	13	—	15	39	77p
Courtaulds	80	3	30	6½	62	9	12	"
GEC	360	49	2	62	—	79	—	403p
GEC	390	25	11	41	1	56	—	"
GEC	420	8	85	24	—	38	—	"
Grand Met.	130	26½	15	29½	—	34	—	155p
Grand Met.	160	4½	30	12½	127	18	17	"
ICI	360	22	6	37	8	52	—	380p
ICI	390	6	26	19	12	30	—	"
Land Secs.	323	13	7	29	1	40	—	324p
Land Secs.	353	2	5	13	—	25	—	"
Marks & Sp.	90	4	—	9½	40	12½	1	91p
Shell	390	21	16	38	—	54	1	405p
Shell	420	6	1	21	32	36	—	"
Totals			608		542		79	
		August		November		February		
Imperial Gp.	80	5	7	7½	2	11	—	82p
Imperial Gp.	90	1	30	3½	—	6	—	"
Lonrho	80	27	10	30	10	33	—	105p
Lonrho	90	19	34	22	22	26	—	"
Lonrho	100	12½	70	15	53	19	1	"
Lonrho	110	7½	91	9½	60	14	—	"
Racal Elec.	240	30	4	45	—	56	—	265p
Racal Elec.	260	17	26	32	—	44	—	"
Racal Elec.	280	8	—	18	27	34	—	"
RTZ	330	100	20	117	—	—	—	427p
RTZ	360	72	—	92	6	105	—	"
RTZ	390	45	43	67	15	85	—	"
RTZ	420	28	1	47	—	65	1	"
RTZ	460	10	1	23	6	—	—	"
Totals			337		201		2	

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	6	76	9
Corpns. Dom. and Foreign Bonds	6	21	39
Industrials	237	252	908
Financial and Prop.	141	62	294
Oils	22	12	19
Plantations	6	3	17
Mines	101	12	45
Others	35	50	67
Totals	554	488	1,398

Fall in orders costs 180 jobs

GARRINGTON, the largest employer in Bromsgrove, Worcester, part of the GKN group, is calling for voluntary redundancies and early retirements to axe 180 jobs. The company, which produces forgings, reports falling orders following problems in the motor industry.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
LASMO	25p	13	788	−4	792	337
European Ferries	25p	12	172	+8	172	98
Premier Cons.	5p	9	103	+2	103	39½
Charterhall	5p	7	76½	−3½	86	57
ICI	£1	7	382	—	402	348
BP	25p	6	366	−8	412	320
Charter Cons.	2p	6	198xd	—	210	134
Johnson Matthey	£1	6	376xd	+21	380	205
Rolls-Royce	25p	6	71½	−½	72	47
Shell Transport	25p	6	404	+2	410	314
Tube Invs.	£1	6	256	−10	312	240
Unilever	25p	6	466	+1	480	388
BAT Inds.	25p	5	258	+5	276	223
GEC	25p	5	406	+2	410	326
Plessey	50p	5	184	+3	184	108

OPTIONS

First Dealing	Last Dealing	Last Declaration	For Settlement
Jun. 9	Jun. 20	Sept. 11	Sept. 22
Jun. 23	Jul. 4	Sept. 25	Oct. 6
Jul. 7	Jul. 18	Oct. 9	Oct. 20

For rate indications see end of Share Information Service

In a more active business than of late, call options were done in Smith Bros, BSG, BPC, British Land, Coral Leisure, Poseidon, North Kalgurli, Siebens, Premier Oil, KCA, Hampton Trust, Endeavour, Ultramar, Cons. Gold Fields, Western Areas, Lonrho, De Beers Defd., RTZ, Johannesburg Cons, Anglo American Corp, Comfort Hotels, Charterhall, Highland Distilleries, Shell, Silvermines and Oxley Printing. Puts were arranged in Lucas and Thorn EMI, while doubles were transacted in Rustenburg and Charterhall.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
55	F.P.	20/6	90	74	Home Farm Prods10p	87	−1	b2.9	2.5	4.8	11.9
—	F.P.	—	9	3	†Jenkin & Purser	[illegible]					
183	F.P.	27/6	91	79	Oakwood Group	81	[illegible]	b6.5	[illegible]	[illegible]	[illegible]
100	F.P.	27/6	110	93	Peerless	92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

FT-ACTUARIES SHARE INDICES

...ndices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

GROUPS & SECTIONS (...eses show number of ... per section)	Mon., June 30, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., June 27 Index No.	Thurs., June 26 Index No.	Wed., June 25 Index No.	Tues., June 24 Index No.	Year ago (approx.) Index No.
...OODS (172)	252.88	−0.3	17.74	6.38	6.91	253.53	254.87	251.87	250.92	243.22
...erials (28)	242.68	−0.9	19.01	6.84	6.25	244.85	248.07	245.85	245.90	225.89
Construction (27)	369.85	−0.4	25.29	6.58	4.74	371.16	372.40	371.65	371.57	361.30
...16)	692.68	+0.6	12.31	3.52	10.47	686.56	692.73	675.27	668.56	586.48
Contractors (11)	305.64	−0.2	22.22	8.48	5.64	306.38	306.36	305.89	303.79	367.90
Engineering (74)	168.01	−0.8	19.04	7.87	6.44	169.43	169.56	168.54	167.93	182.27
... Metal Forming (16)	163.10	−0.4	22.27	10.41	5.38	163.68	163.86	164.14	164.98	164.52
...ER GOODS ...E) (49)	219.18	—	15.03	5.86	8.14	219.08	221.80	219.15	216.24	228.03
...ronics, Radio, TV (14)	323.52	+0.1	11.35	4.20	11.22	323.12	327.46	321.48	315.62	311.07
...d Goods (14)	98.71	+0.2	29.95	10.71	3.97	98.56	98.73	98.60	98.38	158.33
...nd Distributors (21)	99.51	−0.2	23.21	9.97	5.00	99.74	100.89	101.43	101.36	116.78
...MER GOODS ...URABLES) (172)	227.98	+0.2	18.18	7.03	6.64	227.53	229.41	229.74	229.01	234.22
...s (14)	283.84	−0.2	15.77	6.50	7.47	284.53	287.76	287.45	285.94	272.66
...d Spirits (5)	296.42	−0.6	18.38	6.30	6.70	298.20	295.62	294.82	301.13	303.06
...ment, Catering (17)	334.08	+0.5	17.28	6.70	7.17	332.51	334.76	332.47	332.40	317.38
...ufacturers (21)	203.77	−0.4	19.73	7.34	5.97	204.55	205.90	205.52	205.07	208.44
...ailing (13)	327.13	−0.1	12.91	4.84	9.24	327.44	329.79	327.81	327.84	292.21
...ers, Publishing (13)	446.41	+1.1	21.38	6.55	6.31	441.75	439.43	433.77	431.03	428.68
...g and Paper (15)	129.41	−0.6	27.74	9.63	4.17	130.25	131.36	132.38	131.13	128.54
...2)	221.90	+0.6	13.84	5.55	9.31	220.52	222.98	224.89	222.88	237.67
...(24)	131.39	+0.7	24.73	11.86	4.93	130.50	129.81	128.40	127.16	161.30
...s (3)	217.12	+1.1	28.09	10.66	4.03	214.83	218.78	220.76	221.75	240.51
...d Games (5)	27.19	−1.3	44.73	14.02	2.59	27.54	27.54	28.08	28.08	71.83
...R GROUPS (99)	217.55	+0.4	17.15	7.07	6.92	216.72	216.98	216.89	214.61	202.29
...cals (16)	316.81	+0.1	19.59	7.61	5.85	316.45	315.94	317.09	312.64	282.32
...aceutical Products (7)	219.11	+1.1	11.65	6.30	10.57	216.79	217.22	216.93	213.68	220.45
... Equipment (6)	109.42	+1.1	19.91	7.58	5.75	108.23	109.97	109.84	108.46	119.36
...ng (10)	552.26	+1.0	13.94	6.40	8.75	546.81	543.91	541.52	540.67	452.01
...laneous (60)	261.04	+0.1	17.52	6.96	6.98	260.77	261.41	260.62	258.95	242.06
...STRIAL GROUP (492)	238.49	+0.1	17.60	6.79	6.86	238.22	239.66	238.85	237.46	235.44
...)	813.27	−0.9	28.37	6.33	3.89	820.98	825.39	832.91	805.51	687.50
...HARE INDEX	283.84	−0.1	19.92	6.69	5.89	284.16	285.85	285.66	282.30	271.70
...NCIAL GROUP (118)	218.19	+0.7	—	5.76	—	216.60	217.06	218.41	217.44	190.13
...(6)	234.42	−0.4	41.61	6.93	2.95	235.26	233.89	235.97	236.35	233.36
...nt Houses (10)	265.28	+0.6	—	6.66	—	263.70	265.68	264.05	265.07	270.04
...urchase (5)	213.62	+0.5	14.63	4.68	8.88	212.61	214.94	215.59	213.26	160.66
...nce (Life) (10)	206.03	+1.2	—	6.18	—	203.65	204.97	205.79	203.38	151.91
...nce (Composite) (9)	145.30	+2.3	—	7.41	—	142.10	142.04	144.69	143.82	124.37
...nce Brokers (9)	315.91	—	14.71	7.25	9.34	315.86	313.40	311.10	313.21	257.12
...ant Banks (13)	127.74	−0.3	—	5.22	—	128.06	128.20	129.29	126.93	97.40
...ty (45)	404.68	+0.8	3.38	2.86	42.01	401.61	406.13	405.83	403.37	347.82
...laneous (11)	136.43	+0.6	16.11	6.40	7.89	135.56	135.64	135.70	135.55	118.54
...ment Trusts (109)	242.61	+0.1	—	5.73	—	242.47	241.75	239.60	239.49	208.46
...Finance (4)	228.77	+0.8	11.80	4.31	10.22	227.03	226.21	224.35	220.26	120.50
...as Traders (19)	384.76	−0.2	13.23	7.04	9.29	385.61	387.98	387.87	387.15	348.73
...SHARE INDEX (750)	269.54	+0.1	—	6.40	—	269.35	270.54	270.50	267.86	248.29

FIXED INTEREST PRICE INDICES

British Government	Mon., June 30	Day's change %	xd adj. today	xd adj. 1980 to date
...years	105.28	−0.18	0.19	5.18
...	110.38	−0.28	—	6.77
...	113.82	−0.35	—	7.39
...	129.88	−0.23	—	[illegible]
...	[illegible]	−0.28	[illegible]	[illegible]

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Mon., June 30	Fri., June 27	Year ago (approx.)
1	Low Coupons	5 years	11.94	11.89	10.31
2		15 years	11.94	11.89	10.80
3		25 years	11.94	11.89	11.29
4	Medium Coupons	5 years	13.42	13.32	11.99
5		15 years	13.46	13.39	12.30
6		25 years	13.43	13.38	12.31
7	High Coupons	5 years	13.49	13.41	12.21
8		15 years	13.80	13.74	12.64
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

	Mon. June 30 Index No.	Yield	Friday June 27	Thur. June 26	Wed. June 25	Tues. June 24	Mon. June 23	Friday June 20	Thur. June 19	Year ago (approx.)
15)	55.00	12.98	53.00	53.01	52.74	52.75	52.76	52.71	52.67	57.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.06	48.42	48.42	48.42	48.42	49.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	64.70	64.50	64.41	63.78	63.76	69.26

...nd constituent changes are published in ...rs, the Financial Times, Bracken House, ...

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UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

King & Shaxson Mngrs.
Kleinwort Benson Limited
Lazard Brothers & Co. (Jersey) Ltd.
Lloyds Bk. (C.I.) U/T Mgrs.
Lloyds International, Geneva
M & G Group
Management International Ltd.
Midland Bank Tst. Corp. (Jersey) Ltd.
Samuel Montagu Ldn. Agents
Murray, Johnstone (Inv. Adviser)
Nat. Westminster Jersey Fd. Mgrs. Ltd.
Negit S.A.
N.E.L. International Ltd.
Pacific Basin Fund
Phoenix International
Providence Capitol Life Ass. (C.I.)
Guest Fund Management (Jersey) Ltd.
RBC Investment Managers Limited
Richmond Life Ass. Ltd.
Rothschild Asset Management (C.I.)
Rothschild Asset Mgt. (Bermuda)
Save & Prosper International
Schlesinger International Mngt. Ltd.
Schroder Life Group
J. Henry Schroder Wagg & Co. Ltd.
Sentry Assurance International Ltd.
Singer & Friedlander Ldn. Agents
Standard Chartered Intl. Bd. Fd.
Stronghold Management Limited
Surinvest (Jersey) Ltd.
Surinvest Trust Managers Ltd.
TSB Unit Trust Managers (C.I.) Ltd.
TSB Gilt Fund Managers (C.I.) Ltd.
Tokyo Pacific Holdings N.V.
Tokyo Pacific Hldgs. (Seaboard) N.V.
Tyndall Group
Unilife Assurance (Overseas) Ltd.
Union-Investment-Gesellschaft mbH
Utd. Intnl. Mngmt. (C.I.) Ltd.
Van Cutsem & Associates Ltd.
S. G. Warburg & Co. Ltd.
Warburg Invest. Mngt. Jrsy. Ltd.
Wardley Investment Services Ltd.
World Wide Growth Management
Wren Commodity Trust

NOTES

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Friends' Provid. Unit Tr. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration

Hill Samuel Unit Tst. Mgrs.

Intel.

Key Fund Managers Ltd.

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd.

Norwich Union Insurance Group

Pearl Trust Managers Ltd.

Pelican Units Admin. Ltd.

Perpetual Unit Trust Mngmt.

Practical Invest Co. Ltd.

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd.

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.

TSB Unit Trusts

Ulster Bank

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Gartmore Bonds

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

G.R.E. Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

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Over Fifteen Years

Undated

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CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
61¾	56½	Agric. Mt. 5pc '59-89	63xd	......	8.18	12.24
80	73½	Alcan 10½pc '89-94	78½xd	......	13.37	14.10
28½	25	Met. Wtr. 3pc 'B'	28¼	−¼	10.89	12.95
103	89	U.S.M.C. 9pc 1982	100xd	......	9.80	—
92	85½	Do. without Warrants	90xd	......	10.00	12.95

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Gr's	P/E
244	202	ANZ $A1	227	+2	†Q22c	3.7	5.0	5.5
250	183	Alexanders D. £1	244	......	16.0	—	9.4	—
£76½	£56	Algemene Fl.100	£64½	......	Q25%	1.9	7.6	6.9
370	290	Allen Harvey £1	370	+5	21.5	—	8.3	—
128	96	Allied Irish	108	−2	Q8.93	—	8.0	—
17	13	Ansbacher (H.) 5p	14¼	......	0.15	—	1.5	—
235	180	Arbuthnot L. £1	210xd	−3	11.0	—	7.5	—
360	280	Bk. Ireland £1	305	......	Q23.51	—	7.5	—
£162	£134	Do. 10pc Conv.	£138	−4	Q10%	—	†7.4	—
8	5	Bk. Leumi $0.1	7	+1	Q11.4%	—	16.6	—
120	100	Bk. Leumi (UK) £1	120	......	8.57	—	10.7	—
178	135	Bk. N.S.W. $A1	146	+4	Q18c	3.0	6.3	5.3

BANKS & HP—Continued

Hire Purchase, etc.

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Tins

Copper

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
235	130	Messina R0.50	390	+20	m010c	♦	3.0

Miscellaneous

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
180	78½	Anglo-Dominion	140	......	—	—	—
97	56	Barymin	56	−2	—	—	—
17	12	Burma Mines 10p	15	......	0.62	1.1	6.0
502	308	Cons. Murch. 10c.	320xd	+12	Q0100c	1.8	17.9
180	125	††Hemerdon 10c.	125	......	—	—	—
585	325	Northgate C$1	400	+15	—	—	—
485	327	R.T.Z.	428	+5	15.0	3.2	5.0
33	16	Robert Mines	24	+1	—	—	—
58	26	Sabina Inds. C$1	29	......	—	—	—
51	44	††SWCM 10p	50	......	—	—	—
650	411	Tara Exptn. $1	443	−7	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ∏ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	38	......	Conv. 9% '80/82	£98⅝	+⅛
Bertam	16	......	Nat. 9¾% 84/89	£75⅞	......
Bdg'wtr. Est. 50p	415	......	Fin. 13% 97/02	£98¼	−⅛
Clover Croft	60	......	Alliance Gas	48	......
Craig & Rose £1	£38½	......	Arnott	345	......
Fife Forge	32½	......	Carroll (P.J.)	57	......
Finlay Pkg. 5p	28	......	Clondalkin	117	......
Graig Ship. £1	£35	......	Concrete Prods.	75	......
Higsons Brew	75	......	Heiton (Hldgs.)	32	......
Holt (Jos) 25p	250	......	Ins. Corp.	246	......
I.O.M. Stm. £1	190	......	Irish Ropes	45	......
Pearce (C. H.)	455	......	Jacob	32	......
Peel Mills	40	......	T.M.G.	94	+4
Sheff. Refrshmt	103	......	Unidare	80	−10
Sindall (Wm.)	143	......			

OPTIONS
3-month Call Rates

Industrials		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	15	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	10	Lex Service	8	Cap. Counties	9
Blue Circle	25	Lloyds Bank	28	Land Secs.	24
Boots	16	"Lots"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	28	Lucas Inds.	17	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Spncr	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	32
Debenhams	8	Nat. West. Bank.	27	Burmah Oil	20
Distillers	17	P & O Dfd.	10	Charterhall	10
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2¼	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	18	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	8
Hawker Sidd.	15	Unilever	40	Rio T. Zinc	35
House of Fraser	15	U.D.T.	5½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 30

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Tuesday July 1 1980

1,343 jobs lost as Alfred Herbert fails

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

ALFRED HERBERT, once Britain's biggest machine-tool company, has finally given up its long struggle for survival. Redundancy notices were issued to 1,343 employees yesterday, 930 of them at the Edgwick plant in Coventry, although it is possible that some jobs will be saved if a buyer for the plant can be found.

Herbert, one of the original "lame-ducks" inherited by the National Enterprise Board (NEB) on its creation, is the biggest company to have failed under NEB ownership.

The group has received £44.5m of public funds since it was taken into public ownership in December 1975. Some of this money will be repaid to the State following the sales of Herbert subsidiaries, but it is expected that there will still be a substantial shortfall.

The demise of Herbert will come as a blow to the machine tool-industry, although the company's survival has been in question for many years. The industry is suffering from a big drop in orders this year as companies postpone or cancel their investment plans in the face of the recession.

The economic situation has undoubtedly hastened Herbert's collapse. It has been apparent for some time that only particularly favourable economic conditions would enable Herbert to carry on.

The main hope now must be that Herbert's advanced machine-tools, which have been developed with the aid of the Government's special scheme, can be saved.

Herbert, like most of the British industry, was late in putting these machines on the market, with the result that imports from Japan and West Germany have been soaring over the past couple of years.

But the machines are technically well-regarded and clearly have a future if a buyer can be persuaded into taking them over.

A statement issued by Herbert yesterday said that the decision to seek buyers for its remaining major plants, in Coventry and Birmingham, "had been made necessary by the decision of the NEB not to advance the further funds needed to establish a business based on high-technology turning machines."

These machine tools, the first of which was launched 18 months ago, are made at Edgwick, Coventry.

The NEB made it clear to Herbert when it received its last tranche of £8.3m in March 1979 that it could not expect any more money. The group made a loss of £5.3m last year, which rose to £16m after provision had been made for rationalisation costs.

In April it applied to the NEB for more funds to enable the restructuring programme announced in January to be carried through, but the NEB refused. Herbert's bankers also refused to lend more money without a guarantee from the NEB, which was also turned down.

It is now expected that Herbert will apply for a voluntary winding-up order to be made in the next few weeks. It has called in accountants Peat Marwick Mitchell to advise on the procedure. Meanwhile, it hopes to sell the Birmingham plant, for which it has had two firm offers, and to find a buyer for Edgwick.

Mr. Peter Rippon, chairman, said yesterday that undertakings have been given to customers that Edgwick will complete outstanding orders over the next 90 days. Mr. Rippon took over the chairmanship of Herbert from Sir John Buckley last October.

With other members of the Herbert board, he will now be made redundant. It is understood that he has no contract with the group, but other directors, including Mr. Walter Lees, chief executive, will be entitled to some compensation.

Herbert's demise, Page 8

GM puts £29.7m into Vauxhall to make up losses

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS has injected a further £29.7m into its UK subsidiary, Vauxhall Motors, to cover record losses last year.

Vauxhall reported yesterday that its 1979 net loss reached £31.27m compared with a profit of £1.98m in 1978. It said the loss arose mainly as a result of labour disputes both within and outside the company.

GM covered most of the deficit by pumping in £13.7m for new Vauxhall shares during 1979, followed by a further £16m as a loan at the year-end.

Vauxhall's problems come at an inconvenient time for GM because the American parent's earnings have fallen dramatically during the recession which has hit the U.S. car and truck maret this year. This is despite GM's worldwide sales of $66.3bn and net profit of $2.9bn last year.

Vauxhall has recorded a net profit in only two years since 1969. The highest loss previously was £17.8m in 1974.

Vauxhall's turnover last year reached £819.5m (£804.9m in 1978), while the operating loss was £16.07m (£11.77m profit).

The net loss of £31.27m was established after the deduction of interest and other financing charges of £15.45m (£11.4m) and a loss from currency realignments of £1.58m (£2.2m) but the addition of Industry Act grants of £1.4m (£3.4m). There was a UK tax credit of £0.437m (£22,000 deduction).

Last June Ferdinand Beickler, a West German from GM's Opel subsidiary, took over as president of Vauxhall. In the autumn he had to deal with a 12-week pay strike at the company's Ellesmere Port, Cheshire, plant, which makes the Chevette and supplies some components for other car and commercial vehicle lines.

Earlier in the year Vauxhall suffered from the impact of the national haulage dispute in January and February, industrial action at its parts warehouse in February and at its Luton, Beds., plant in March, and a series of engineering workers' stoppages in the late summer.

Vauxhall estimates that these difficulties cost the production of 48,000 vehicles resulting in total sales of 230,420 in 1979 compared with 261,483 the previous year.

Mr. Beickler said last night that the reversal graphically reflected the motor industry's vulnerability to industrial disputes. Lost production could turn profit into loss, and lost market opportunities might not be regained when production returned to normal he added.

Without similar difficulties so far this year, Vauxhall has increased its UK sales of new cars by 2.8 per cent in the first five months of this year despite an overall market decline of 10.3 per cent.

Aston Martin, Page 8

THE LEX COLUMN

Scotching a bid for Ferranti

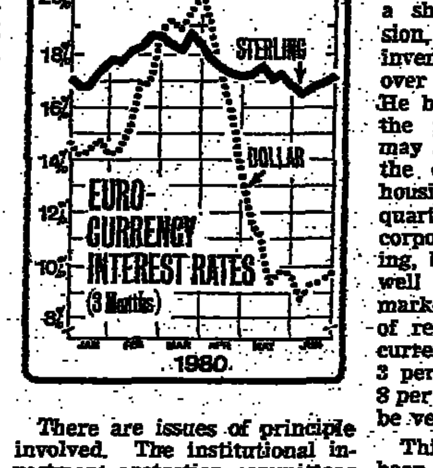
The terms of the deal through which the National Enterprise Board is disposing of the bulk of its stake in Ferranti are extraordinary, especially when a Conservative Government is involved. Clearly, the Government is not prepared to trust the freedom of the market in a case such as this, even though it has alternative ways of safeguarding the independence of Ferranti if it should so wish: through its control over the award of defence contracts, for instance, or its power to refer any bid attempts to the Monopolies Commission.

Institutions wishing to take a slice of the £54.3m placing will have to accept two restrictions on the transferability of the shares. Firstly, the shares will be registered in the name of the National Westminster Bank, which will hold them as a nominee for two years, during which time dividends and so forth will be passed over. Secondly, the purchaser will be required to sign an undertaking not to transfer the beneficial rights to the shares for the same period — an undertaking which many institutions will regard as a binding gentleman's agreement, although no doubt the law of contract could be invoked where this was not the case.

The asking price is 530p a share, representing a discount of 11 per cent on the suspension price of 595p yesterday. Given that the discount on the placing of the NEB's stake in ICL last December — with no restrictions on subsequent transfer—was some 4½ per cent, it looks as though the extra "cost" of the embargo on the Ferranti shares is around 6 per cent, or £3m. But the true cost is arguably much less than this. The Ferranti placing involves as much as 48 per cent of the equity, compared with the 25 per cent stake in ICL. And 530p is still significantly more than Ferranti's shares were trading at a month ago, which looks odd when take-over hopes have been so effectively punctured. Maybe the discount will look a lot smaller when the share suspension is lifted — at the latest at 9.30 am tomorrow.

This placing can only succeed because it is likely to be backed by the big pension funds, especially the nationalised industry schemes which have such large cash flows and are therefore never sellers in normal circumstances. Certainly private investors and unit trusts, for whom liquidity counts for a great deal, are going to find these blocked shares unattractive.

Index rose 1.3 to 464.8



There are issues of principle involved. The institutional investment protection committees have been prominent in standing up for shareholders' rights —most recently by forcing voting changes at Lloyds Bank —and this placing of restricted equity represents a giant step backwards. Many other company managements and workforces would no doubt like to be protected against unwelcome predators, and they will be tempted to regard the Ferranti arrangement as a precedent to be emulated.

Although the circumstances are still muddled—no clear statement has emerged from anybody yet—it is bound to look as though institutional investors are being pressed to extract the Government from a tight political spot. The complexity of the arrangements seems to owe more to Scottish nationalism than to investment policy. It is an unfortunately presented way of preventing the Government from being embarrassed by seeing its shares swiftly snapped up at a higher price by a predator.

Ironically, a potential predator like GEC—which tried but failed to get involved in a private sector rescue of Ferranti back in 1974—is probably happy enough with the new situation. At least no other company can bid either.

Wall Street

One of the most persistent critics of past U.S. monetary policy, Dr. Anthony Boeckh of the Bank Credit Analyst of Montreal, was advising fund managers in London yesterday —at a seminar organised by brokers Laurie Milbank—to put their money into the U.S. Not into bonds, just at the moment, since they are due for a reaction in the short term, although interest rates ought to go up lower some time over the next year, but into equities.

Dr. Boeckh does not expect a sharp recovery from recession, but he is forecasting the inventory liquidation will be over in a couple of months. He believes that demand is at the point of stabilising, and may soon modestly increase in the depressed automobile and housing sectors. The second quarter results from industrial corporations will be devastating, but they should have been well discounted in the stock market, while the turning point of return on equity capital, in current cost terms, now held at 3 per cent compared with 7 or 8 per cent in the mid-1960s, may be very close.

This wretched return has been mirrored in a deep discount of market capitalisation to current cost book value. Dr. Boeckh points out that this discount has been remarkably stable in the region of 40 per cent or 50 per cent for [illegible] years now, not going above that level even at times of sharply rising interest rates. When sound companies begin to move to a deeper discount, they tend to get taken over. The stability of the relationship between asset value and market capitalisation means that equities are again acting as an inflation hedge; with any narrowing of the discount they will out perform inflation.

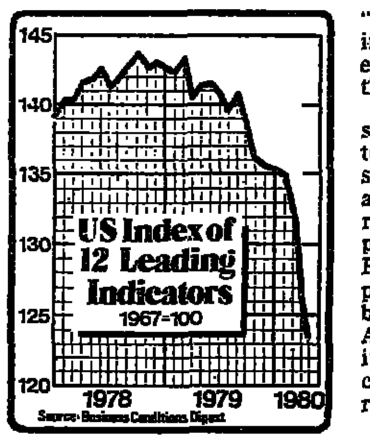
Dr. Boeckh argues that US corporations have at last got rid of the money illusion which prevented them from pricing correctly in an inflationary environment, and will be able as demand picks up gradually to re-establish a respectable level of real return on capital. If this is so, the stock market level in relation to asset values is unecessarily low, and the historic price/earnings ratio — now back to Korean War levels of around 8 on the Standard and Poor's Industrials — may have been pushed down too far.

Much of this argument may be transferred wholesale to the UK equity market, a comforting thought for the fund managers in Dr. Boeckh's audience. Less comforting for the long term bond investors was his view that inflation of around 8 per cent is now thoroughly institutionalised in the U.S., and that the Federal Reserve only seems able to break an inflationary trend temporarily by the dangerous expedient of inducing a liquidity crisis.

U.S. leading indicators fall by 2.4% in May

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE LATEST U.S. Government report on the state of the economy offers little hope that the steep recession is ending. The Commerce Department's index of leading economic indicators, designed to point to future economic trends, fell in May by 2.4 per cent, according to preliminary calculations.



This is a less dramatic decline than occurred in April. The April drop is now estimated to have been 4.1 per cent, not the 4.8 per cent originally projected, but it none the less remains the largest single monthly fall in the index's history.

This measurement has fallen for four consecutive months and for 9 of the past 11 months. It stands at 123.4 (1967 100), well under the 141.6 peak of June last year.

In May, only two of the 10 component parts, building-permits and share prices, rose, 8 declined, and 2 were unavailable. Biggest declines were recorded in the lay-off rate, certain raw materials prices, and factory orders.

Simultaneously, a monthly trade association report published yesterday also detected a tapering off in machine-tool orders, which had remained surprisingly buoyant for much of the year. In May, machine-tool orders were actually 5 per cent above the April level, though 9 per cent under the rate of May last year. But cancellation of orders was up and industry executives discreetly reported a downward trend in order-books.

Carter Administration officials have steadfastly maintained that the steep economic slide of last spring was showing signs of "bottoming out." May's leading economic indicators, however, provide little support for this optimism.

The focus of debate has shifted to what ought to be done to stimulate the economy, specifically and pervasively the amount and timing of any tax reduction. In spite of political pressure from Mr. Ronald Reagan, presumed Republican presidential candidate, and from both parties in Congress, the Administration wants to delay its recommendations until it has completed its mid-year economic review.

This was due to be published on July 15, but may be postponed, largely because the Republican Party will be holding its electoral Convention in Detroit that week and would undoubtedly make hay of the gloomy prognostications bound to be contained in it.

But, at the same time, the Administration is genuinely concerned that speculation about a tax cut wlil set off a new round of inflation at precisely the moment when consumer prices are increasing much less rapidly than earlier in the year.

Editorial Comment Page 16

8% offer by Talbot opens pay talks

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TALBOT UK has offered workers an 8 per cent pay increase in the opening round of negotiations for the troubled motor industry.

The company, owned by PSA Peugeot-Citroen, of France, last year suffered a three-month strike to impose a 5½ per cent deal in its Midland factories. Its present offer represents a sharp response to union demands for an increase of well over 20 per cent.

Negotiations at Talbot, where the annual wage review is due this month, will give a lead for talks at Vauxhall and Ford in the autumn.

The size of the offer—well below the present rate of price inflation—is what the Government would like to see for the whole of British industry in the next wage round.

Union leaders at BL, where Sir Michael Edwardes, the chairman, was able to impose a 5 per cent deal last November, are already expressing fears that unrest over earnings may be difficult to contain in the forthcoming pay round.

However the motor industry, faced with a drop in UK sales and difficult markets across Europe, will be in a strong position to enforce tough conditions upon any wage increases.

Talbot, in negotiations which continue on Thursday, will stress to the unions that additional earnings must be financed through higher productivity.

The talks take place against a background of hundreds of jobs being shed at the Linwood factory, Scotland, and short-time working due to start next month at the Stoke engine factory, Coventry.

Talbot is mounting a big sales campaign to improve its UK market penetration, currently lagging at around 5 per cent. Mr. George Turnbull, chairman, has made it clear that market share and production efficiency will influence future investment in the UK.

The company's 8 per cent offer would mean a rise of £6.70 to increase the income of a track worker to £90.50 a week.

BL talks, Page 10

Continued from Page 1

Ferranti

holding just over 400,000 to offer to Ferranti employees — will have to sign an undertaking not to sell until June 30, 1982, they will not necessarily be bound by this if their own circumstances change.

In the case of liquidation, change of ownership or a reconstruction of the holding institutions, the NEB will be able to "give sympathetic consideration" to requests for amendments.

Late last month, Ferranti announced a £21.3m rights issue at a substantial discount. This is not expected to complicate the placing as the shares will be offered with rights to participate in the issue.

Kuwait raises crude oil price

BY SUE CAMERON AND ANDREW WHITLEY

KUWAIT will today raise the price of its reference crude oil by $2 to $31.50 a barrel, according to Kuwaiti oil ministry officials. The increase is within the $32 a barrel ceiling for crudes similar to Saudi Arabia's light oil, which was agreed at the June meeting of the Organisation of Petroleum Exporting Countries (OPEC).

But yesterday there was speculation that some major oil producing countries may be forced to cut their crude prices following a fall in some spot market prices below OPEC reference levels for the first time in two years.

The crudes that have fallen in price on the spot market are all believed to be the more expensive ones, notably from North Africa. A cargo of North Sea Ninian crude is also understood to have been sold on the spot market at slightly less than the official British National Oil Corporation price.

Iran yesterday confirmed that it would not be raising its crude prices in July, but left open the possibility of a rise later in the quarter. Mr. Ali Akbar Moinfar, the Oil Minister, said official prices and surcharges set in April would remain unchanged.

The decision leaves the effective price of Iranian light crude at $35.37, still nearly $3½ above that charged by its counterparts in the Gulf for equivalent grades of oil. In practice Iran reduced its surcharges for favoured customers during the second quarter and is likely to be offering similar terms in the current negotiating round with foreign customers.

On the eve of the new quarter Saudi Arabia, which produces about a third of OPEC's oil, refused to disclose its plans for output and crude prices. Adding to the uncertainty is the fact that the United Arab Emirates (UAE) and possibly Qatar, will follow the lead from Riyadh.

Weather

UK TODAY

S.W., N.W. England, Wales, Lake District, Isle of Man S.W. Scotland, N. Ireland
Bright or sunny intervals, scattered showers. Max. 18C

N.E. England, Borders, N.W., S.W. Scotland, C. Highlands
Mainly cloudy with showers. Cool. Max. 13C (55F).

N.E. Scotland, Orkney, Shetland
Mainly cloudy with showers. Cool. Max. 11C (52F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Lisbon	S	23	73
Algiers	S	27	81	Locarno	S	22	72
Amsdm.	C	15	59	London	F	18	64
Athens	S	27	81	Luxmbg.	C	16	61
Bahrain	S	37	97	Luxor	S	44	111
Barclna.	C	19	66	Madrid	S	28	82
Beirut	S	29	84	Majorca	F	28	82
Belfast	C	14	57	Malaga	S	26	79
Belgrd.	R	14	57	Malta	S	27	81
Berlin	C	13	55	M'chstr.	R	13	56
Biarritz.	C	16	61	Melbne.	R	13	55
Bmghm.	C	15	59	Milan	F	23	73
Blackpl.	R	12	54	Mntreal.	R	14	59
Bordx.	C	15	59	Moscow	R	19	66
Boulgn.	C	15	59	Munich	C	16	61
Bristol	R	15	59	Nairobi	C	18	64
Brussels	C	17	63	Naples	C	24	75
Budpst.	F	18	68	Nwcstl.	R	11	52
B. Aires	C	9	47	N. York	S	23	74
Cairo	S	43	105	Nice	S	22	72
Cardiff	R	14	57	Oporto	S	24	75
Cas'b'ca	S	22	72	Oslo	C	17	63
Cape T.	S	15	59	Paris	F	19	66
Chicago	S	22	72	Perth	S	16	61
Cologne	C	17	63	Prague	C	14	57
Cpnhgn.	F	16	61	Reykjvk.	S	15	59
Corfu	S	25	77	Rhodes	S	28	82
Dublin	R	13	55	Rio J'o	S	25	77
Dbrvnk.	F	23	73	Rome	S	24	75
Ednbgh.	R	11	52	Salzbrg.	C	14	57
Faro	S	26	79	Singapr.	S	30	86
Florence	F	24	75	Stckhm.	S	20	68
Frankft.	C	15	59	Strasbg.	C	20	68
Funchal	C	21	70	Sydney	S	18	64
Geneva	S	16	61	Tangier	S	23	73
Gibrltr.	S	27	81	Tehran	S	27	80
Glasgow	R	11	52	Tel Aviv	S	28	82
G'rnsey	F	15	59	Tenerife	C	18	64
Helsinki	F	22	72	Tokyo	C	22	72
H. Kong	S	30	87	Toronto	C	16	65
Innsbrk.	F	18	64	Tunis	S	37	81
Invrnss.	R	9	48	Valencia	C	23	73
Istanbul	S	27	81	Venice	S	21	70
Jersey	F	15	59	Vienna	F	18	64
Jo'burg	S	11	50	Warsaw	F	17	63
L. Plms.	F	23	73	Zurich	F	16	61

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Swiss franc's reserve role grows

BY DAVID MARSH

SWITZERLAND IS planning further moves to allow a controlled extension of use of the Swiss franc as an international reserve currency. They follow steps taken by the Swiss National Bank since last summer to increase foreign central banks' access to Swiss franc investments.

The Swiss authorities' greater flexibility on the internationalisation of the franc contrasts with their previous reluctance to countenance a reserve role for the currency.

The West German Bundesbank, the Bank of Japan, and even—to a limited extent—the Bank of England, are also becoming more open-minded about the growing volumes of their currencies held in official reserves. Central bankers are generally more optimistic about the chances for stability of a multi-currency reserve system in which part of the dollar's international reserve role is taken over by other leading currencies.

Among Swiss measures planned is one to allow foreign central banks to subscribe, just like commercial banks and other investors, to Swiss franc bond issues raised by foreign borrowers on Swiss capital markets. Details are being worked out with the Swiss banks, and a formal announcement is expected in the next few months.

This relaxation would apply both to public bond issues and private placements. Last year foreign borrowers raised SwFr 5.2bn (£1.4bn) and SwFr 10.3bn (£2.7bn) respectively through such transactions.

Central banks would also be allowed to take part in Swiss franc credits granted by the Swiss banks to foreigners. Such credits amounted to SwFr 11.9bn (£3.1bn) last year.

The National Bank has already allowed central banks to subscribe to two SwFr 200m bonds issued by the World Bank, in September last year and March, 1980. Other such issues are likely at about six-month intervals.

It has also recently allowed foreign central banks to buy franc-denominated money—market paper and has eased restrictions on interest payments on Swiss bank accounts owned by central banks and other foreign investors.

Dr. René Kaestli, an economist at the National Bank, told a conference in Paris last week that Swiss franc reserves held by foreign central banks were estimated at some $10bn to $12bn. This would work out at roughly 3 to 4 per cent of total identified world foreign exchange reserves.

Dr. Kaestli said the National Bank had to accept that the franc was internationally used, even though this could cause complications for Swiss monetary policy. "We no longer pretend that the development has not taken place," he said.

The central bank was thus shifting its policies to try to gain more information about international use of the currency. A key part of this approach was to try to bring back to Switzerland central-bank transactions which previous regulations had pushed outside on to the Euromarkets.

Call for prudence, Page 3

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